

MEETING DATE: September 17, 2003

A	agenda Item # 1
P	repared By:
Ē	inance Director
s	ubmitted By:
-	City Manager

AUGUST 2003 FINANCE & INVESTMENT REPORT

RECOMMENDED ACTION:

Accept and File Report

EXECUTIVE SUMMARY:

Attached is the monthly Finance and Investment Report for the period ended August 31, 2003. The report covers the first two months of activity for the 2003/2004 fiscal year. A summary of the report is included on the first page for the City Council's benefit.

The monthly Finance and Investment Report is presented to the City Council and our Citizens as part of our ongoing commitment to improve and maintain public trust through communication of our finances, budget and investments. The report also serves to provide the information necessary to determine the adequacy/stability of financial projections and develop equitable resource/revenue allocation procedures.

This report covers all fiscal activity in the City, including the Redevelopment Agency. The Redevelopment Agency receives a separate report for the fiscal activity of the Agency at the meeting of the Agency. Presenting this report is consistent with the goal of *Maintaining and Enhancing the Financial Viability of the City*.

FISCAL IMPACT: as presented

CITY OF MORGAN HILL Monthly Financial and Investment Reports

August 31, 2003 - 17% Year Complete



Prepared by:

FINANCE DEPARTMENT



CITY OF MORGAN HILL, CALIFORNIA FINANCIAL STATEMENT ANALYSIS - FISCAL YEAR 2003/04 FOR THE MONTH OF AUGUST 2003 - 17% OF YEAR COMPLETE

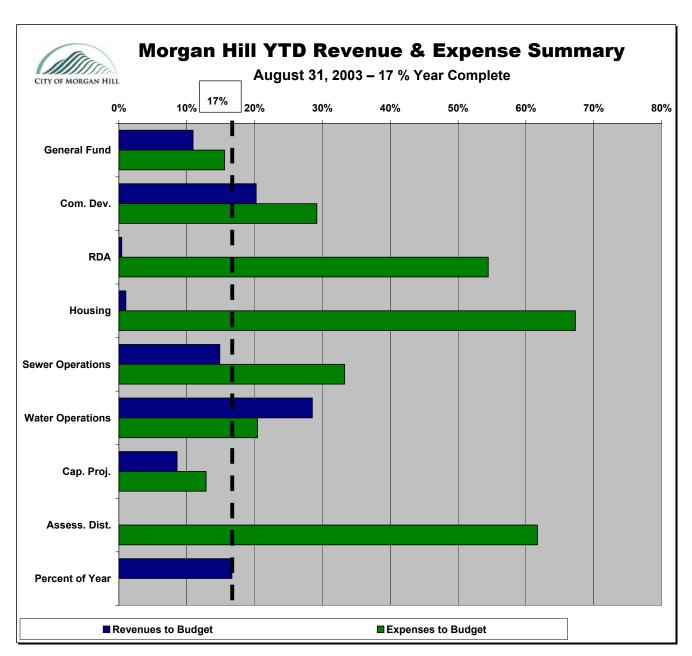
This analysis of the status of the City's financial situation reflects 17% of the year.

- * General Fund The revenues received in the General Fund were approximately 11% of the budgeted revenues. The amount of Sales Tax collected was 17% of the sales tax revenue budget and was 3% less than the amount collected for the same period last year. Business license and other permit collections were 63% of the budgeted amount, a 3% decrease over the same period last year. Business license renewal fees are due in July; therefore the higher percent of budget collected early in the year is normal. Motor Vehicle-in-Lieu revenues were 9% of the budgeted amount, 45% less than the amount received at this time last year. This drop in Motor Vehicle-in-Lieu fees was caused by the State's elimination of the "State backfill" for these fees and the delay until October of the implementation of higher fees that will offset this loss, resulting in much lower fees for July, August, and September 2003. Interest & Other Revenue were 11% of budget and do not reflect most interest earnings, which will be posted following the end of the first quarter in September. Many of the current year revenues are not yet received this early in the year. Property taxes, franchise fees and transient occupancy taxes, along with LAIF interest earnings, are not received by the City until later in the year.
- * The General Fund expenditures and encumbrances to date totaled 16% of the budgeted appropriations. The outstanding encumbrances in several activities are encumbrances for projects started but not completed in the prior year and carried forward to the current fiscal year.
- * Transient Occupancy (Hotel) Tax The TOT rate is 10%. The City receives transient occupancy tax on a quarterly basis. Taxes for the first quarter of the current year will be received in October 2003, so no taxes have been received yet.
- * Community Development Revenues were 20% of budget, which was 35% more than the amount collected in the like period for the prior year. Planning expenditures plus encumbrances were 37% of budget; Building has expended or encumbered 19% of budget and Engineering 31%. Community Development has expended or encumbered a combined total of 29% of the 2003/04 budget, including \$864,963 in encumbrances. If encumbrances were excluded, Community Development would have spent only 14% of the combined budget.
- * RDA and Housing –Property tax increment revenues amounting to \$120,265 have been received as of August 31, 2003. The great bulk of these revenues will be received later in the fiscal year. Expenditures plus encumbrances totaled 57% of budget. If encumbrances were excluded, the RDA would have spent only 38% of the combined budget. In July, the RDA spent \$3.4 million toward the Courthouse Project acquisition. In August, the Agency made a \$2.55 million installment payment toward the purchase of the Sports Fields Complex property, incurred \$2.4 million in acquisition and construction costs related to the Butterfield Blvd. Phase IV Project, and incurred \$60,000 in Tennant Avenue Widening Project acquisition costs. In July, the Agency also made a loan to South County Housing for the Royal Court Housing Project.



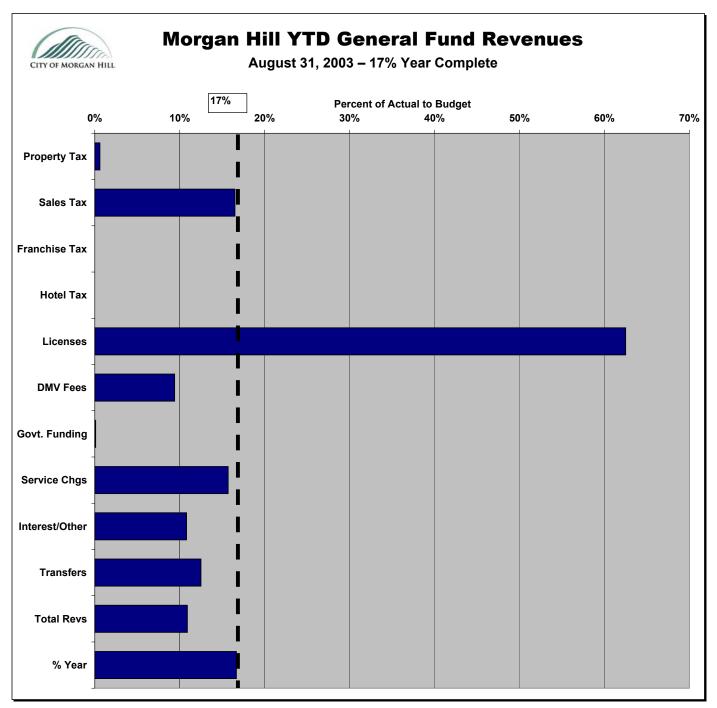
HILL CITY OF MORGAN HILL, CALIFORNIA FINANCIAL STATEMENT ANALYSIS - FISCAL YEAR 2003/04 FOR THE MONTH OF AUGUST 2003 - 17% OF YEAR COMPLETE

- * Water and Sewer Operations- Water Operations revenues, including service fees, were 29% of budget. Expenditures totaled 20% of appropriations. Sewer Operations revenues, including service fees, were 15% of budget. Expenditures for sewer operations were 33% of budget. The amount spent to date for sewer operations is high because it includes a scheduled \$1.4 million August debt service payment on outstanding sewer bonds.
- * Investments maturing/called/sold during this period. During the month of August, \$1.50 million in federal agency investments was called, due to declining interest rates, and \$3.25 million was reinvested in federal agency investments. Further details of all City investments are contained on pages 6-8 of this report.

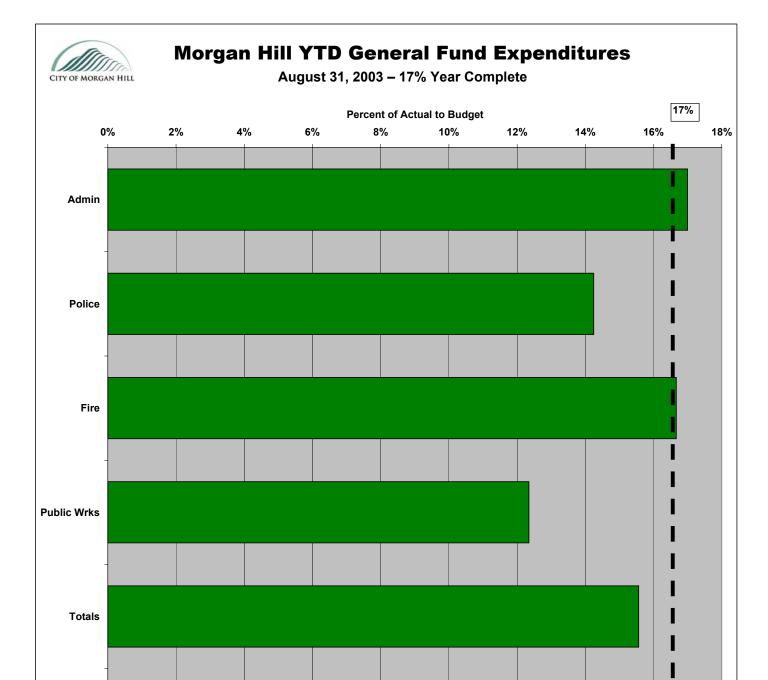


	REVENU	JES	EXPENS	ES	8/31/2003
		% OF	ACTUAL plus	% OF	UNRESTRICTED
FUND NAME	ACTUAL	BUDGET	ENCUMBRANCES	BUDGET	FUND BALANCE
General Fund	\$1,757,192	11%	\$2,559,498	16%	\$10,208,751
Community Development	460,769	20%	864,963	29%	1,127,916
RDA	98,593	0%	14,890,099	54%	3,893,981
Housing/CDBG	41,173	1%	3,475,356	67%	2,970,402
Sewer Operations	816,134	15%	2,468,881	33%	3,122,192
Sewer Other	743,143	60%	697,552	17%	11,317,285
Water Operations	2,017,419	29%	1,480,947	20%	3,012,051
Water Other	124,430	11%	1,427,713	67%	3,306,743
Other Special Revenues ¹	107,548	14%	390,350	16%	2,755,894
Capital Projects & Streets Funds	1,150,553	9%	2,504,881	13%	23,290,790
Debt Service Funds		n/a	145,825	62%	362,554
Internal Service	581,299	14%	1,105,082	29%	4,286,320
Agency	61,308	2%	2,196,603	84%	3,064,502
TOTAL FOR ALL FUNDS	\$7,959,561	10%	\$34,207,750	33%	\$72,719,381

¹ Includes all Special Revenue Funds except Community Development, CDBG, and Street Funds



			% OF	PRIOR YEAR	% CHANGE FROM
REVENUE CATEGORY	BUDGET	ACTUAL	BUDGET	TO DATE	PRIOR YEAR
PROPERTY RELATED TAXES	\$2,440,000	\$14,974	1%	\$34,740	-57%
SALES TAXES	\$4,923,000	\$813,279	17%	\$842,552	-3%
FRANCHISE FEE	\$961,180				n/a
HOTEL TAX	\$890,000				n/a
LICENSES/PERMITS	\$202,600	\$126,536	63%	\$129,860	-3%
MOTOR VEHICLE IN LIEU	\$2,080,000	\$196,555	9%	\$360,535	-45%
FUNDING - OTHER GOVERNMENTS	\$271,900	\$334	0%	\$3,598	-91%
CHARGES CURRENT SERVICES	\$2,588,137	\$405,740	16%	\$337,117	20%
INTEREST & OTHER REVENUE	\$893,050	\$96,440	11%	\$2,043	4621%
TRANSFERS IN	\$823,986	\$103,334	13%	\$5,834	1671%
		•		•	
TOTALS	\$16,073,853	\$1,757,192	11%	\$1,716,279	2%



			Α	ctual Plus	
Expenditure Category		Budget	End	cumbrances	% of Budget
ADMINISTRATION		5,149,142		875,135	17%
POLICE		6,740,507		960,158	14%
FIRE		3,745,220		624,163	17%
PUBLIC WORKS		810,323		100,042	12%
	•			•	
TOTALS	\$	16,445,192	\$	2,559,498	16%

% Year



City of Morgan Hill Fund Activity Summary - Fiscal Year 2003/04 For the Month of August 31, 2003 17% of Year Completed

		Unaudited	Revenues	11 70 01 100	Expenses		Year to-Date	Ending Fur	nd Balance	Cash and In	vestments
Fund		Fund Balance	YTD	% of	YTD	% of	Deficit or				
No.	Fund	06-30-03	Actual	Budget	Actual	Budget	Carryover	Reserved ¹	Unreserved	Unrestricted	Restricted ²
010	GENERAL FUND	\$11,011,057	\$1,757,192	11%	\$2,308,414	14%	(\$551,222)	\$251,084	\$10,208,751	\$10,471,266	\$4,150
TOTAL G	ENERAL FUND	\$11,011,057	<u>\$1,757,192</u>	<u>11%</u>	\$2,308,414	14%	(\$551,222)	<u>\$251,084</u>	<u>\$10,208,751</u>	<u>\$10,471,266</u>	<u>\$4,150</u>
202	CTDEET MAINTENANCE	£4.052.222	¢400 407	400/	#220 400 I	440/	(#04.222)	P704 454	#007 440		£40.704
202	STREET MAINTENANCE	\$1,653,223	\$169,137	12%	\$230,469	11%	(\$61,332)	\$784,451	\$807,440	\$1,494,349	\$10,794
204/205	PUBLIC SAFETY/SUPPL. LAW	\$485,350	£400.700	n/a	\$45,597	17%	(\$45,597)	C444 440	\$439,753	\$439,753	
206 207	COMMUNITY DEVELOPMENT	\$1,532,110	\$460,769 \$11,927	20% 16%	\$423,851 \$3,067	14% 4%	\$36,918 \$8,860	\$441,112 \$126,156	\$1,127,916 \$73,577	\$1,604,031 \$199,820	
210	GENERAL PLAN UPDATE COMMUNITY CENTER	\$190,873 \$360,157	\$11,927	n/a	\$52,000	17%	(\$52,000)	\$120,130	\$308,157		
210 215 / 216		\$561,258	\$206	0%	\$3,065	2%	(\$2,859)	364,896	\$193,503	\$308,157 \$133,575	
213 / 210	MUSEUM RENTAL	\$945	\$200	n/a	\$3,005	13%	(\$306)	304,690	\$639	\$639	
225	ASSET SEIZURE	\$38,096		n/a	φ300	n/a	(\$300)		\$38,096	\$38,096	
226	OES/FEMA	φ30,090		11/a		11/a			\$30,090	\$30,090	
229	LIGHTING AND LANDSCAPE	\$33.785		n/a	\$23,367	15%	(\$23,367)	\$8,374	\$2.044	\$10,706	
232	ENVIRONMENT PROGRAMS	\$613,845	\$91,559	24%	\$32,153	7%	\$59,406	\$54,053	\$619,198	\$594,033	
234	MOBILE HOME PK RENT STAB.	\$9,808	φ91,339	n/a	\$10,876	27%	(\$10,876)	\$26,901	(\$27,969)	(\$1,068)	
235	SENIOR HOUSING	\$255,610		n/a	Ψ10,070	21 /0	(ψ10,070)	Ψ20,901	\$255,610	\$255,610	
236	HOUSING IN LIEU	\$1,043,306		n/a	_			_	\$1,043,306	\$1.043.306	
240	EMPLOYEE ASSISTANCE	\$6,921	\$4,062	20%	7,500	38%	(\$3,438)		\$3,483	\$2,876	
		. ,	. ,		, , , , , , , , , , , , , , , , , , , ,		, , , , , , , , , , , , , , , , , , , ,		. ,	. ,	
TOTAL S	PECIAL REVENUE FUNDS	<u>\$6,785,287</u>	<u>\$737,660</u>	<u>16%</u>	<u>\$832,251</u>	<u>11%</u>	<u>(\$94,591)</u>	<u>\$1,805,943</u>	<u>\$4,884,753</u>	<u>\$6,123,883</u>	<u>\$10,794</u>
301	PARK DEV. IMPACT FUND	\$3,191,630	\$235,368	54%	\$16,705	1%	\$218,663	\$111,127	\$3,299,166		\$3,410,293
302	PARK MAINTENANCE	\$2,909,243	\$38,315	15%			\$38,315		\$2,947,558	\$2,947,558	
303	LOCAL DRAINAGE	\$2,910,954	\$45,742	16%	\$5,376	0%	\$40,366		\$2,951,320		\$2,951,320
304	LOCAL DRAINAGE/NON-AB1600	\$3,276,514	\$29,000	18%	\$5,311	3%	\$23,689		\$3,300,203	\$3,160,203	
305	OFF-STREET PARKING	\$4,020		n/a					\$4,020	\$4,020	
306	OPEN SPACE	\$334,960		n/a				\$20,000	\$314,960	\$334,960	
309	TRAFFIC IMPACT FUND	\$2,825,127	\$467,480	71%	\$14,484	2%	\$452,996	\$338,705	\$2,939,418		\$3,265,722
311	POLICE IMPACT FUND	\$1,183,045	\$19,854	38%	\$1,107	0%	\$18,747	\$20,000	\$1,181,792		\$1,201,792
313	FIRE IMPACT FUND	\$2,603,859	\$70,597	48%	\$257	0%	\$70,340		\$2,674,199		\$2,674,199
317	REDEVELOPMENT AGENCY	\$20,607,172	\$98,593	0%	\$8,950,992	33%	(\$8,852,399)	7,860,792	\$3,893,981	\$9,812,287	
327 / 328	HOUSING	\$23,016,842	\$40,967	1%	\$3,218,810	70%	(\$3,177,843)	17,062,099	\$2,776,899	\$3,029,783	
340	MORGAN HILL BUS.RANCH I	\$48,290		n/a					\$48,290	\$48,290	
342	MORGAN HILL BUS.RANCH II	\$54,233		n/a					\$54,233	\$54,233	
346	PUBLIC FACILITIES NON-AB1600	\$1,332,714	\$24,000	0%	403		\$23,597		\$1,356,311	\$1,356,311	
347	PUBLIC FACILITIES IMPACT FUND	\$665,633	\$30,125	64%	\$99,166	12%	(\$69,041)	\$877,210	(\$280,618)		\$559,923
348	LIBRARY IMPACT FUND	\$414,456	\$20,935	68%	\$37	16%	\$20,898		\$435,354		\$435,352
350	UNDERGROUNDING	\$1,257,217		n/a	\$73	0%	(\$73)		\$1,257,144	\$1,257,144	
TOTAL C	APITAL PROJECT FUNDS	<u>\$66,635,909</u>	<u>\$1,120,976</u>	<u>3%</u>	<u>\$12,312,721</u>	<u>25%</u>	<u>(\$11,191,745)</u>	<u>\$26,289,933</u>	<u>\$29,154,230</u>	<u>\$22,004,789</u>	<u>\$14,498,601</u>
527	HIDDEN CREEK		=	n/a						1	
533	DUNNE/CONDIT			n/a							
536	ENCINO HILLS	\$68.027		n/a					\$68.027	\$68,027	
539	MORGAN HILL BUS. PARK	\$11,867		n/a					\$11,867	\$11,867	
542	SUTTER BUSINESS PARK	\$24,910		n/a					\$24,910	\$24,910	
545	COCHRANE BUSINESS PARK	\$374,418		n/a	\$144,423	74%	(\$144,423)		\$229,995	\$49,045	\$180,950
551	JOLEEN WAY	\$29,157		n/a	\$1,402	3%	(\$1,402)		\$27,755	\$10,505	\$17,250
TOTAL D	EBT SERVICE FUNDS	\$508,379		n/a	\$145,825	62%	(\$145,825)		\$362,554	\$164,354	\$198,200



City of Morgan Hill Fund Activity Summary - Fiscal Year 2003/04 For the Month of August 31, 2003 17% of Year Completed

				11 /0 01 100	Completed						
		Unaudited	Revenues		Expenses		Year to-Date	Ending Fun	d Balance	Cash and In	vestments
Fund		Fund Balance	YTD	% of	YTD	% of	Deficit or				
No.	Fund	06-30-03	Actual	Budget	Actual	Budget	Carryover	Reserved ¹	Unreserved	Unrestricted	Restricted ²
640	SEWER OPERATIONS	\$17,176,348	\$816,134	15%	\$2,386,432	32%	(\$1,570,298)	\$12,483,858	\$3,122,192	\$3,075,080	\$3,402,375
641	SEWER IMPACT FUND	\$6,105,410	\$743,143	119%	\$145,189	4%	\$597,954	1,716,378	\$4,986,986	. , ,	\$5,340,119
642	SEWER RATE STABILIZATION	\$3,804,228		n/a	\$395	17%	(\$395)	, ,	\$3,803,833	\$3,803,833	
643	SEWER-CAPITAL PROJECTS	\$8,683,208		n/a	\$156,512	36%	(\$156,512)	6,000,230	\$2,526,466	\$2,767,044	
650	WATER OPERATIONS	\$21,966,962	\$2,017,419	29%	\$954,990	2%	\$1,062,429	\$20,017,340	\$3,012,051	\$2,755,539	\$390,761
651	WATER IMPACT FUND	\$1,855,423	\$124,430	19%	\$86,658	6%	\$37,772	2,927,128	(\$1,033,934)		(\$77,111
652	WATER RATE STABILIZATION	\$867,428		n/a	\$141,758	17%	(\$141,758)		\$725,670	\$725,670	
653	WATER -CAPITAL PROJECT	\$7,531,855		n/a	\$15,987	1%	(\$15,987)	3,900,862	\$3,615,007	\$3,841,494	
TOTAL E	ENTERPRISE FUNDS	<u>\$67,990,862</u>	<u>\$3,701,126</u>	<u>25%</u>	<u>\$3,887,921</u>	<u>17%</u>	<u>(\$186,795)</u>	<u>\$47,045,796</u>	\$20,758,271	<u>\$16,968,660</u>	\$9,056,144
			I	.=	I		T				
730	DATA PROCESSING	\$440,655	\$40,875	17%	\$19,102	8%	\$21,773	237,212	\$225,216	\$416,351	
740	BUILDING MAINTENANCE	\$502,584	\$148,507	17%	\$53,411	8%	\$95,096	28,029	\$569,651	\$609,162	
745	CIP ADMINISTRATION	\$61,479	\$197,664	14%	\$197,664	14%		173,925	(\$112,446)	\$103,509	
760	UNEMPLOYMENT INS.	\$47,278		n/a					\$47,278	\$47,278	
770	WORKER'S COMP.	(\$103,853)	\$72,827	11%	\$130,317	19%	(\$57,490)	\$38,324	(\$199,667)	\$501,277	\$40,000
790	EQUIPMENT REPLACEMENT	\$3,709,280	\$33,958	17%	\$293	0%	\$33,665	892,458	\$2,850,487	\$2,859,602	
793	CORPORATION YARD	\$561,945	\$25,534	16%	\$19,914	12%	\$5,620	238,440	\$329,125	\$225,334	
795	GEN'L LIABILITY INS.	\$772,859	\$61,934	16%	\$258,117	69%	(\$196,183)		\$576,676	\$923,093	
TOTAL II	NTERNAL SERVICE FUNDS	<u>\$5,992,227</u>	<u>\$581,299</u>	<u>14%</u>	<u>\$678,818</u>	<u>18%</u>	<u>(\$97,519)</u>		<u>\$4,286,320</u>	<u>\$5,685,606</u>	<u>\$40,000</u>
820	SPECIAL DEPOSITS									\$797,929	
841	M.H. BUS.RANCH A.D.	\$1,649,856		n/a	\$983,186	136%	(\$983,186)		\$666,670	\$88,344	\$578,325
842	M.H. BUS. RANCH II A.D.	\$107,240		n/a	\$36,359	94%	(\$36,359)		\$70,881	\$11,368	\$59,513
843	M.H. BUS. RANCH 1998	\$1,492,125	\$779	2%	\$578,212	66%	(\$577,433)		\$914,692	\$29,684	\$885,008
845	MADRONE BP-TAX EXEMPT	\$1,311,853	\$703	2 /0	\$504,210	63%	(\$503,507)		\$808,346	\$10,003	\$798,343
846	MADRONE BP-TAXABLE	\$256,867	\$136	2%	\$94,636	55%	(\$94,500)		\$162,366	\$8,227	\$154,140
848	TENNANT AVE.BUS.PK A.D.				Ψ0-1,000	0070	(ψυ-τ,υυυ)				Ψ10+,1+0
		\$360 Q1Q I	\$59 685	2%			\$59 685		\$420 604	\$420 604	
		\$360,919 \$20,938	\$59,685 \$5	2% 2%			\$59,685 \$5		\$420,604 \$20,943	\$420,604	\$20.943
881	POLICE DONATION TRUST FUND	\$360,919 \$20,938 \$5,199,798	\$59,685 \$5 \$61,308	2% 2% 2%	\$2,196,603	84%	\$59,685 \$5 (\$2,135,295)		\$420,604 \$20,943 \$3,064,502	\$420,604 \$1,366,159	\$20,943 \$2,496,272
881 TOTAL A	POLICE DONATION TRUST FUND AGENCY FUNDS	\$20,938	\$5	2%	\$2,196,603	84%	\$5		\$20,943		
881 TOTAL A	POLICE DONATION TRUST FUND	\$20,938	\$5	2%	<u>\$2,196,603</u>	84%	\$5		\$20,943		
881 TOTAL A	POLICE DONATION TRUST FUND AGENCY FUNDS	\$20,938	\$5	2%	\$2,196,603 \$2,308,414	<u>84%</u>	\$5	\$251,084	\$20,943		\$2,496,272
881 TOTAL A	POLICE DONATION TRUST FUND AGENCY FUNDS RY BY FUND TYPE	\$20,938 \$5,199,798	\$5 \$61,308	2% <u>2%</u>			\$5 (\$2,135,295)	\$251,084 \$1,805,943	\$20,943 \$3,064,502	<u>\$1,366,159</u>	\$2,496,272 \$4,150
881 TOTAL A	POLICE DONATION TRUST FUND AGENCY FUNDS RY BY FUND TYPE GENERAL FUND GROUP	\$20,938 \$5,199,798 \$11,011,057	\$5 \$61,308 \$1,757,192	2% 2%	\$2,308,414	14%	\$5 (\$2,135,295) (\$551,222)		\$20,943 \$3,064,502 \$10,208,751	\$1,366,159 \$10,471,266	\$2,496,272 \$4,150 \$10,794
881 TOTAL A	POLICE DONATION TRUST FUND AGENCY FUNDS RY BY FUND TYPE GENERAL FUND GROUP SPECIAL REVENUE GROUP	\$20,938 \$5,199,798 \$11,011,057 \$6,785,287	\$5 \$61,308 \$1,757,192	2% 2% 11% 16%	\$2,308,414 \$832,251	14% 11%	\$5 (\$2,135,295) (\$551,222) (\$94,591)		\$20,943 \$3,064,502 \$10,208,751 \$4,884,753	\$1,366,159 \$10,471,266 \$6,123,883	\$2,496,272 \$4,150 \$10,794 \$198,200
881 TOTAL A	POLICE DONATION TRUST FUND AGENCY FUNDS RY BY FUND TYPE GENERAL FUND GROUP SPECIAL REVENUE GROUP DEBT SERVICE GROUP	\$20,938 \$5,199,798 \$11,011,057 \$6,785,287 \$508,379	\$5 \$61,308 \$1,757,192 \$737,660	2% 2% 11% 16% n/a 3% 25%	\$2,308,414 \$832,251 \$145,825	14% 11% 62%	\$5 (\$2,135,295) (\$551,222) (\$94,591) (\$145,825)	\$1,805,943	\$20,943 \$3,064,502 \$10,208,751 \$4,884,753 \$362,554	\$1,366,159 \$10,471,266 \$6,123,883 \$164,354	\$2,496,272 \$4,150 \$10,794 \$198,200 \$14,498,601
881 TOTAL A	POLICE DONATION TRUST FUND AGENCY FUNDS RY BY FUND TYPE GENERAL FUND GROUP SPECIAL REVENUE GROUP DEBT SERVICE GROUP CAPITAL PROJECTS GROUP	\$20,938 \$5,199,798 \$11,011,057 \$6,785,287 \$508,379 \$66,635,909	\$5 \$61,308 \$1,757,192 \$737,660 \$1,120,976	2% 2% 11% 16% n/a 3%	\$2,308,414 \$832,251 \$145,825 \$12,312,721	14% 11% 62% 25%	\$5 (\$2,135,295) (\$551,222) (\$94,591) (\$145,825) (\$11,191,745)	\$1,805,943 \$26,289,933	\$20,943 \$3,064,502 \$10,208,751 \$4,884,753 \$362,554 \$29,154,230	\$1,366,159 \$10,471,266 \$6,123,883 \$164,354 \$22,004,789	\$4,150 \$10,794 \$198,200 \$14,498,601 \$9,056,144
881 TOTAL A	POLICE DONATION TRUST FUND AGENCY FUNDS RY BY FUND TYPE GENERAL FUND GROUP SPECIAL REVENUE GROUP DEBT SERVICE GROUP CAPITAL PROJECTS GROUP ENTERPRISE GROUP	\$20,938 \$5,199,798 \$11,011,057 \$6,785,287 \$508,379 \$66,635,909 \$67,990,862	\$5 \$61,308 \$1,757,192 \$737,660 \$1,120,976 \$3,701,126	2% 2% 11% 16% n/a 3% 25%	\$2,308,414 \$832,251 \$145,825 \$12,312,721 \$3,887,921	14% 11% 62% 25% 17%	\$5 (\$2,135,295) (\$551,222) (\$94,591) (\$145,825) (\$11,191,745) (\$186,795)	\$1,805,943 \$26,289,933	\$20,943 \$3,064,502 \$10,208,751 \$4,884,753 \$362,554 \$29,154,230 \$20,758,271	\$1,366,159 \$10,471,266 \$6,123,883 \$164,354 \$22,004,789 \$16,968,660	
881 TOTAL A	POLICE DONATION TRUST FUND AGENCY FUNDS RY BY FUND TYPE GENERAL FUND GROUP SPECIAL REVENUE GROUP DEBT SERVICE GROUP CAPITAL PROJECTS GROUP ENTERPRISE GROUP INTERNAL SERVICE GROUP	\$20,938 \$5,199,798 \$11,011,057 \$6,785,287 \$508,379 \$66,635,909 \$67,990,862 \$5,992,227	\$5 \$61,308 \$1,757,192 \$737,660 \$1,120,976 \$3,701,126 \$581,299	2% 2% 11% 16% n/a 3% 25% 14%	\$2,308,414 \$832,251 \$145,825 \$12,312,721 \$3,887,921 \$678,818	14% 11% 62% 25% 17% 18%	\$5 (\$2,135,295) (\$551,222) (\$94,591) (\$145,825) (\$11,191,745) (\$186,795) (\$97,519)	\$1,805,943 \$26,289,933	\$20,943 \$3,064,502 \$10,208,751 \$4,884,753 \$362,554 \$29,154,230 \$20,758,271 \$4,286,320	\$1,366,159 \$10,471,266 \$6,123,883 \$164,354 \$22,004,789 \$16,968,660 \$5,685,606	\$4,150 \$10,794 \$198,200 \$14,498,601 \$9,056,144 \$40,000

For Enterprise Funds - Unrestricted fund balance = Fund balance net of fixed assets and long-term liabilities.

¹ Amount restricted for encumbrances, fixed asset replacement, long-term receivables, and bond reserves.

² Amount restricted for debt service payments and AB1600 capital expansion projects as detailed in the City's five year CIP Plan and bond agreements.



CITY OF MORGAN HILL CASH AND INVESTMENT REPORT

FOR THE MONTH OF AUGUST 2003 FOR THE FISCAL YEAR OF 2003-04

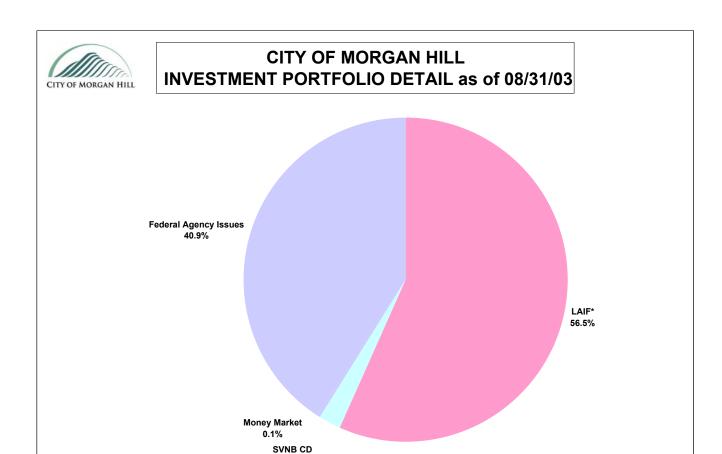
	Invested	Wintel	Book Value	Investment Category	% of	Market
Investments	in Fund	Yield	End of Month	Subtotal at Cost	Total	Value
Investments						
State Treasurer LAIF - City	All Funds Pooled	1.61%	\$36.350.000		43.06%	\$36.453.462
- RDA	RDA	1.61%	\$9,507,918		10.67%	\$9,534,980
- Corp Yard	Corp Yard	1.61%	\$51,598		0.06%	\$51,745
- Corp raid	Corp raid	1.0170	ψ51,590		0.0070	ΨΟ1,7-4Ο
Federal Issues	All Funds Pooled	3.55%	\$33,244,450		37.32%	\$32,773,068
SVNB CD	All Funds Pooled	1.70%	\$2,002,888			, , , , , , , , , , , , , , , , , , , ,
Money Market	All Funds Pooled	0.85%	\$43,920	\$81,200,774	0.05%	\$43.920
Money Market	All I ulius I ooleu	0.0070	Ψ-3,920	ψ01,200,774	0.0570	Ψ-3,920
Bond Reserve Accounts - held by trustees						
BNY - 2002 SCRWA Bonds						
MBIA Repurchase & Custody Agmt	Sewer	4.78%	\$1.805.240			
Blackrock Provident Temp Fund	GCWCI	0.75%	\$1,597,134		3.82%	\$3,402,379
Blacklock Flovident Temp Fund		0.7576	\$1,587,154		3.02 /0	\$5,402,579
US Bank - 1999 Water C.O.P.						
First American Treasury Obligation	Water	0.77%	\$390.761		0.44%	\$390,761
That American Treasury Obligation	Water	0.7770	ψ030,701		0.4470	ψ030,701
US Bank - MH Ranch 98	MH Ranch					
First American Treasury Obligation	Agency Fund	0.77%	\$885,008		0.99%	\$885,008
Thousand Troubury Obligation	rigolloy i unu	0.1170	Ψ000,000		0.0070	Ψ000,000
US Bank - Madrone Bus Park Tax Exempt	Madrone Bus Park					
First American Treasury Obligation	Agency Fund	0.77%	\$798,343		0.90%	\$798,343
otooa y obgao	rigolioy i alia	0.1.70	ψ, σσ,σ ισ		0.0070	ψ. σσ,σ.σ
US Bank - Madrone Bus Park Taxable	Madrone Bus Park					
First American Treasury Obligation	Agency Fund	0.77%	\$154,139	\$5,630,625	0.17%	\$154,139
r not / unonoun rrougally obligation	rigolioy i alia	0.1.70	ψ.σ.,.σσ	\$0,000,020	0,0	ψ.σ.,.σσ
Checking Accounts						
General Checking	All Funds		\$1,500,000		1.68%	\$1,500,000
3		0.000/				. , ,
Dreyfuss Treas Cash Management Account	All Funds	0.09%	\$713,329		0.80%	\$713,329
Athens Administators Workers' Comp	Workers' Comp		\$40.000		0.04%	\$40.000
Attiens Administrators Workers Comp	Workers Comp		ψ+0,000		0.0470	ψ+0,000
Petty Cash & Emergency Cash	Various Funds	-	\$4,150	\$2,257,479	0.00%	\$4,150
Total Cash and Investments			\$89,088,878	<u>\$89,088,878</u>	<u>100.00%</u>	<u>\$86,745,284</u>
			CASH ACTIVIT			
	7/1/2003		Change in	08/31/03		
Fund Type	Balance		Cash Balance	Balance	Restricted	Unrestricted

Fund Type	7/1/2003 Balance	Change in Cash Balance	08/31/03 Balance	Restricted	Unrestricted
General Fund	\$11,198,827	(\$723,411)	\$10,475,416	\$4,150	\$10,471,266
Community Development	\$1,598,168	\$5,863	\$1,604,031	\$0	\$1,604,031
RDA (except Housing)	\$18,789,948	(\$8,977,661)	\$9,812,287	\$0	\$9,812,287
Housing / CDBG	\$6,264,517	(\$3,101,159)	\$3,163,358	\$0	\$3,163,358
Water - Operations	\$2,197,360	\$948,940	\$3,146,300	\$390,761	\$2,755,539
Water Other	\$4,882,333	(\$392,280)	\$4,490,053	-\$77,111	\$4,567,164
Sewer - Operations	\$6,399,908	\$77,547	\$6,477,455	\$3,402,375	\$3,075,080
Sewer Other	\$11,899,860	\$11,136	\$11,910,996	\$5,340,119	\$6,570,877
Other Special Revenue	\$3,011,901	(\$119,973)	\$2,891,928	\$0	\$2,891,928
Streets and Capital Projects (except RDA)	\$24,402,072	\$764,391	\$25,166,463	\$14,509,395	\$10,657,068
Assessment Districts	\$504,821	(\$142,267)	\$362,554	\$198,200	\$164,354
Internal Service	\$5,993,387	(\$267,781)	\$5,725,606	\$40,000	\$5,685,606
Agency Funds	<u>\$5,943,872</u>	(\$2,081,441)	<u>\$3,862,431</u>	\$2,496,272	\$1,366,159
Total	<u>\$103,086,974</u>	<u>(\$13,998,096)</u>	\$89,088,878	<u>\$26,304,161</u>	<u>\$62,784,717</u>

Note: See Investment Porfolio Detail for maturities of "Investments." Market values are obtained from the City's investment brokers' monthly reports.

I certify the information on the investment reports on pages 6-8 has been reconciled to the general ledger and bank statements and that there are sufficient funds to meet the expenditure requirements of the City for the next six months. The portfolio is in compliance with the City of Morgan Hill investment policy and all State laws and regulations.

Prepared by:		Approved by:		
	Lourdes Reroma Accountant I		Jack Dilles Director of Finance	
Verified by:			W. D. J.	
	Tina Reza Assistant Director of Finance		Mike Roorda City Treasurer	



2.5%

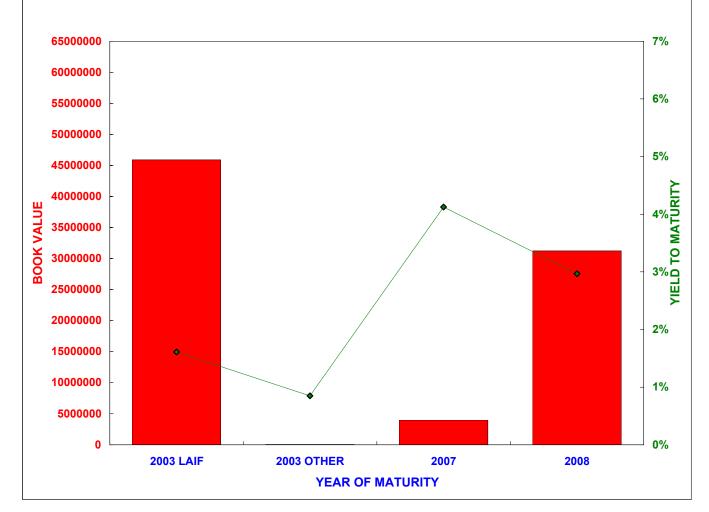
Investment Type	Purchase Date	Book Value	% of Portfolio	Market Value	Stated Rate	Interest Earned	Next Call Date	Date of Maturity	Years to Maturity
LAIF*		\$45,909,517	56.54%	\$46,040,187	1.610%	\$144,945			0.003
SVNB CD	07/07/03	\$2,002,888	2.47%	\$2,002,888	1.700%	\$5,289		07/07/05	1.849
Federal Agency Issues									
Fed Home Loan Bank	08/20/02	\$2.000.000	2.46%	\$2.008.760	4.250%	\$14.512	anytime	08/20/07	3.970
Fed Natl Mortgage Assn	09/27/02	\$2,000,000	2.46%	\$2,008,700	4.000%	\$1.393	09/27/03	09/27/07	4.074
Fed Home Loan Bank	02/04/03	\$2,000,000	2.46%	\$2,004,380	3.900%	\$13.261		02/04/08	4.430
Fed Home Loan Bank	03/11/03		2.46%		3.500%	\$11,793	anytime 03/11/04	02/04/08	4.529
	03/11/03	\$2,000,000	2.46%	\$1,978,120 \$1.978.800	3.500%	\$11,793	03/11/04	03/11/08	4.532
Fed Home Loan Mgt Corp Fed Home Loan Bank		\$2,000,000				. ,			
	03/26/03	\$2,000,000	2.46%	\$1,966,880	3.375%	\$11,372	03/26/04	03/26/08	4.570
Fed Home Loan Mgt Corp	04/08/03	\$2,000,000	2.46%	\$1,990,420	3.700%	\$12,536	04/08/04	04/08/08	4.605
Fed Home Loan Mgt Corp	04/16/03	\$2,000,000	2.46%	\$1,982,160	3.600%	\$12,197	04/16/04	04/16/08	4.627
Fed Home Loan Mgt Corp	04/17/03	\$1,994,450	2.46%	\$1,983,900	3.691%	\$12,709	10/17/03	04/17/08	4.630
Fed Farm Credit Bank	05/14/03	\$2,000,000	2.46%	\$1,981,260	3.617%	\$12,188	anytime	05/14/08	4.704
Fed Farm Credit Bank	06/03/03	\$2,000,000	2.46%	\$1,946,260	3.210%	\$10,875	12/03/03	06/03/08	4.759
Fed Farm Credit Bank	06/12/03	\$2,000,000	2.46%	\$1,923,120	2.950%	\$9,995	12/12/03	06/12/08	4.784
Fed Home Loan Bank	07/30/03	\$2,000,000	2.46%	\$1,923,760	3.000%	\$5,380	01/30/04	07/30/08	4.915
Fed Home Loan Bank	07/30/03	\$2,000,000	2.46%	\$1,943,120	3.243%	\$5,816	10/30/03	07/30/08	4.915
Fed Home Loan Bank	07/30/03	\$2,000,000	2.46%	\$1,953,760	3.400%	\$6,098	10/30/03	07/30/08	4.915
Fed Home Loan Bank	08/04/03	\$2,000,000	2.46%	\$1,971,880	3.650%	\$5,554	02/04/04	08/04/08	4.929
Fed Home Loan Bank	08/14/03	\$1,250,000	1.54%	\$1,233,988	3.656%	\$2,235	11/14/03	08/14/08	4.956
Redeemed FY 03/04						\$13,698			
Sub Total/Average		\$33,244,450	40.94%	\$32,773,068	3.545%	\$173,405			4.630
Money Market		\$43,920	0.05%	\$43,920	0.850%	\$5,942			0.003
TOTAL/AVERAGE	_	\$81,200,774	100.00%	\$80,860,062	2.256%	\$329,581			1.945

^{*}Per State Treasurer Report dated 07/31/2003, LAIF had invested approximately 19% of its balance in Treasury Bills and Notes, 12% in CDs, 23% in Commercial Paper and Corporate Bonds, 0% in Banker's Acceptances and 46% in others.



CITY OF MORGAN HILL

INVESTMENT MATURITIES AS OF AUGUST 31, 2003



YEAR OF	BOOK	MARKET	AVERAGE	% OF
MATURITY	VALUE	VALUE	RATE	TOTAL
2003 LAIF	\$45,909,516	\$46,040,187	1.610%	56.54%
2003 OTHER	\$43,920	\$43,920	0.850%	0.05%
2007	\$4,000,000	\$4,013,140	4.125%	4.93%
2008	\$31,247,338	\$30,762,815	2.968%	38.48%
TOTAL	\$81,200,773	\$80,860,062	2.256%	100.00%



FUND	ADORTED	AMENDED	CURRENT	9/	DRIOR	INCR (DECR)	0/
REVENUE SOURCE	ADOPTED BUDGET	AMENDED BUDGET	YTD ACTUAL	% OF BUDGET	PRIOR YTD	FROM PRIOR YTD	% OF BUDGE
010 GENERAL FUND							
TAXES							
Property Taxes - Secured/Unsecured/Prio	1,972,200	1,972,200		n/a		_	n/a
Supplemental Roll	200,000	200,000	14,974	7%	8,771	6,203	71%
Sales Tax	4,650,000	4,650,000	789,300	17%	814,600	(25,300)	
Public Safety Sales Tax	273,000	273,000	23,979	9%	27,952	(3,973)	-14%
Transient Occupancy Taxes	890,000	890,000	.,.	n/a	,	-	n/a
Franchise (Refuse ,Cable ,PG&E)	961,180	961,180		n/a		_	n/a
Property Transfer Tax	267,800	267,800		n/a	25,969	(25,969)	-100%
TOTAL TAXES	9,214,180	9,214,180	828,253	9%	877,292	(49,039)	-6%
LICENSES/PERMITS							
Business License	154,500	154,500	126,280	82%	129,694	(3,414)	-3%
Other Permits	48,100	48,100	256	<u>1%</u>	166	90	54%
TOTAL LICENSES/PERMITS	202,600	202,600	126,536	62%	129,860	(3,324)	-3%
FINES AND PENALTIES							
Parking Enforcement	13,400	13,400	2,677	20%	578	2,099	363%
City Code Enforcement	77,300	77,300	6,798	9%		6,798	n/a
Business tax late fee/other fines	2,600	2,600	203	<u>8%</u>	582	(379)	<u>-65%</u>
TOTAL FINES AND PENALTIES	93,300	93,300	9,678	10%	1,160	8,518	734%
OTHER AGENCIES							
Motor Vehicle in-Lieu	2,080,000	2,080,000	196,555	9%	360,535	(163,980)	-45%
Other Revenue - Other Agencies	271,900	271,900	334	<u>0%</u>	3,598	(3,264)	<u>-91%</u>
TOTAL OTHER AGENCIES	2,351,900	2,351,900	196,889	8%	364,133	(167,244)	-46%
CHARGES CURRENT SERVICES							
False Alarm Charge	24,700	24,700	(357)	-1%	308	(665)	-216%
Business License Application Review	20,900	20,900	5,784	28%	4,507	1,277	28%
Recreation Classes	338,784	338,784	27,053	8%	11,070	15,983	144%
General Administration Overhead	2,007,978	2,007,978	334,663	17%	309,322	25,341	8%
Other Charges Current Services	<u> 195,775</u>	195,775	38,597	<u>20%</u>	11,910	26,687	<u>224%</u>
TOTAL CURRENT SERVICES	2,588,137	2,588,137	405,740	16%	337,117	68,623	20%
OTHER REVENUE		_					
Use of money/property	775,550	775,550	78,899	10%	125	78,774	63019%
Other revenues	24,200	24,200	7,863	<u>32%</u>	<u>758</u>	7,105	937%
TOTAL OTHER REVENUE	799,750	799,750	86,762	11%	883	85,879	9726%
FRANSFERS IN	000 000	000 000		1			,
Park Maintenance	200,000	200,000	2047	n/a	0.047	-	n/a
Sewer Enterprise	17,500	17,500 17,500	2,917	17%	2,917	-	n/a
Water Enterprise	17,500	17,500	2,917	17%	2,917	4E E00	n/a
Public Safety	273,000	273,000	45,500	17%		45,500	n/a
Community Cultural Center Other Funds	312,000 3,986	312,000	52,000	17%	-	52,000	n/a
Outel Fullus		3,986	402 224	<u>n/a</u>	5,834		<u>n/a</u> 1671%
TOTAL TRANSFERS IN	823,986	823,986	103,334	13%	5,034	97,500	10/1/0



FUND REVENUE	ADOPTED	AMENDED	CURRENT	%	PRIOR	INCR (DECR) FROM PRIOR	%
SOURCE	BUDGET	BUDGET	ACTUAL	OF BUDGET	YTD	YTD	OF BUDG
PECIAL REVENUE FUNDS							
202 STREET MAINTENANCE							
Gas Tax 2105 - 2107.5	653,400	653,400	68,797	11%		68,797	n/a
Measure A & B	-	-	-	n/a	-	-	n/a
Tea 21	-	-	-	n/a		-	n/a
Transfers In	700,000	700,000	100,000	14%	100,000	-	n/a
Project Reimbursement		-		n/a		-	n/a
Interest / Other Revenue/Other Charges	14,861	14,861	340	<u>2%</u>	242	98	40%
202 STREET MAINTENANCE	1,368,261	1,368,261	169,137	12%	100,242	68,895	69%
204/205 PUBLIC SAFETY TRUST							
Interest Income	9,956	9,956	-	n/a		-	n/a
Police Grant/SLEF	100,000	100,000	-	n/a		-	n/a
PD Block Grant	-	-	-	n/a		-	n/a
CA Law Enforcement Equip.Grant	-	-	-	n/a		-	n/a
Federal Police Grant (COPS)	-	-	-	n/a		-	n/a
Transfers In	-	-	-	<u>n/a</u>	_	-	n/a
204/205 PUBLIC SAFETY TRUST	109,956	109,956	-	n/a	-	-	n/a
06 COMMUNITY DEVELOPMENT							
Building Fees	1,100,500	1,100,500	334,514	30%	207,365	127,149	61%
Planning Fees	616,496	616,496	64,569	10%	67,082	(2,513)	
Engineering Fees	519,600	519,600	56,255	11%	67,561	(11,306)	-17%
Other Revenue/Current Charges	9,763	9,763	431	4%	218	213	98%
Transfers	30,000	30,000	5.000	17%	_	5.000	n/a
206 COMMUNITY DEVELOPMENT	2,276,359	2,276,359	460,769	20%	342,226	118,543	35%
207 GENERAL PLAN UPDATE	76,087	76,087	11,927	16%	18,910	(6,983)	-37%
215 and 216 HCD BLOCK GRANT							
HCD allocation	152,000	152,000		n/a		-	n/a
Interest Income/Other Revenue	3,900	3,900	206	5%	115	91	79%
<u>Transfers</u>	782	782		<u>n/a</u>			n/a
15 and 216 HCD BLOCK GRANT	156,682	156,682	206	0%	115	91	79%
10 COMMUNITY CENTER	6,198	6,198		n/a	100,000	(100,000)	-100%
20 MUSEUM RENTAL	41	41		n/a		-	n/a
25 ASSET SEIZURE	583	583		n/a		-	n/a
26 OES/FEMA	-	-	-	n/a		-	n/a
29 LIGHTING AND LANDSCAPE	127,770	127,770		n/a		-	n/a
32 ENVIRONMENTAL PROGRAMS	387,209	387,209	91,559	24%	20,426	71,133	348%
34 MOBILE HOME PARK RENT STAB.	6,298	6,298		n/a		-	n/a
35 SENIOR HOUSING	6,897	6,897		n/a		-	n/a
36 HOUSING MITIGATION	27,775	27,775		n/a		-	n/a
240 EMPLOYEE ASSISTANCE	20,162	20,162	4,062	20%	40,000	(35,938)	-90%
OTAL SPECIAL REVENUE FUNDS	4,570,278	4,570,278	737,660	16%	621,919	115,741	19%



	17 /6 Of Teal CO	inpieteu					
FUND			CURRENT			INCR (DECR)	
REVENUE	ADOPTED	AMENDED	YTD	%	PRIOR	FROM PRIOR	%
SOURCE	BUDGET	BUDGET	ACTUAL	OF BUDGET	YTD	YTD	OF BUDGI
CAPITAL PROJECTS FUNDS							
301 PARK DEVELOPMENT	435,072	435,072	235,368	54%	76,235	159,133	209%
302 PARK MAINTENANCE	257,923	257,923	38,315	15%	789	37,526	4756%
303 LOCAL DRAINAGE	291,028	291,028	45,742	16%	17,688	28,054	159%
304 LOCAL DRAINAGE/NON AB1600	157,378	157,378	29,000	18%	18,000	11,000	61%
305 OFF-STREET PARKING	95	95		n/a	-	-	n/a
306 OPEN SPACE	57,428	57,428		n/a	-	-	n/a
309 TRAFFIC MITIGATION	662,507	662,507	467,480	71%	101,221	366,259	362%
311 POLICE MITIGATION	51,569	51,569	19,854	38%	5,982	13,872	232%
313 FIRE MITIGATION	147,884	147,884	70,597	48%	25,690	44,907	175%
317 RDA CAPITAL PROJECTS							
Property Taxes & Supplemental Roll	14,086,573	14,086,573	96,212		29,539	66,673	226%
Development Agreements			-	n/a	-	-	n/a
Interest Income, Rents				n/a	34,232	(34,232)	
Other Agencies/Current Charges	9,450,000	9,450,000	2,381	<u>0%</u>	3,415	(1,034)	
317 RDA CAPITAL PROJECTS	23,536,573	23,536,573	98,593	0%	67,186	31,407	47%
27/328 RDA L/M HOUSING							
Property Taxes & Supplemental Roll	3,791,085	3,791,085	24,053	1%	8,182	15,871	194%
Interest Income, Rent	45,364	45,364	16,623	37%	12,028	4,595	38%
<u>Other</u>	90	90	291	<u>323%</u>	140	<u> 151</u>	<u>108%</u>
327/328 RDA L/M HOUSING	3,836,539	3,836,539	40,967	1%	20,350	20,617	101%
46 PUBLIC FACILITIES NON-AB1600	9,875,877	9,875,877	24,000	0%	18,000	6,000	33%
347 PUBLIC FACILITIES	46,900	46,900	30,125	64%	9,803	20,322	207%
348 LIBRARY	30,782	30,782	20,935	68%	6,823	14,112	207%
350 UNDERGROUNDING	31,495	31,495		n/a	-	-	n/a
340 MORGAN HILL BUS.RANCH CIP I	1,144	1,144		n/a	-	-	n/a
342 MORGAN HILL BUS.RANCH CIP II	1,282	1,282		n/a	-	-	n/a
TOTAL CAPITAL PROJECTS FUNDS	39,421,476	39,421,476	1,120,976	3%	367,767	753,209	205%
DEBT SERVICE FUNDS							
27 HIDDEN CREEK	-	-	-	n/a	-	-	n/a
33 DUNNE AVE. / CONDIT ROAD	4.004	4 604	-	n/a	-	-	n/a
36 ENCINO HILLS	1,631	1,631		n/a		-	n/a
39 MORGAN HILL BUSINESS PARK	447	447		n/a		-	n/a
542 SUTTER BUSINESS PARK	730	730		n/a		-	n/a
545 COCHRANE BUSINESS PARK	119,887	119,887		n/a		-	n/a
551 JOLEEN WAY	34,955	34,955		n/a		-	n/a
TOTAL DEBT SERVICE FUNDS	157,650	157,650	-	n/a	-	-	n/a



FUND			CURRENT			INCR (DECR)	
REVENUE	ADOPTED	AMENDED	YTD	%	PRIOR	FROM PRIOR	%
SOURCE	BUDGET	BUDGET	ACTUAL	OF BUDGET	YTD	YTD	OF BUDGE
ENTERPRISE FUNDS							
340 SEWER OPERATION							
Sewer Service Fees	5,321,460	5,321,460	746,770	14%	884,514	(137,744)	-16%
Interest Income	51,960	51,960	44,162	85%		44,162	n/a
Sewer Rate Stabilization	-	-	-	n/a		-	n/a
Other Revenue/Current Charges	113,950	113,950	25,202	<u>22%</u>	15,468	9,734	<u>63%</u>
640 SEWER OPERATION	5,487,370	5,487,370	816,134	15%	899,982	(83,848)	-9%
641 SEWER EXPANSION							
Interest Income	26,580	26,580		n/a	25	(25)	-100%
Connection Fees	600,000	600,000	743,011	124%	101,626	641,385	631%
<u>Other</u>			132	<u>n/a</u>	132		n/a
641 SEWER EXPANSION	626,580	626,580	743,143	119%	101,783	641,360	630%
642 SEWER RATE STABILIZATION	89,558	89,558		n/a		-	n/a
643 SEWER-CAPITAL PROJECT	525,416	525,416		n/a		-	n/a
TOTAL SEWER FUNDS	6,728,924	6,728,924	1,559,277	23%	1,001,765	557,512	56%
Water Sales Meter Install & Service Transfers-In, and Interest Income Other Revenue/Current Charges 650 WATER OPERATION S51 WATER EXPANSION Interest Income/Other Revenue/Transfer Water Connection Fees 651 WATER EXPANSION 652 Water Rate Stabilization 653 Water Capital Project	5,738,350 40,000 1,045,785 249,584 7,073,719 501,803 160,000 661,803 20,517 402,395	5,738,350 40,000 1,045,785 249,584 7,073,719 501,803 160,000 661,803 20,517 402,395	1,306,247 12,174 174,645 524,353 2,017,419 124,430 124,430	23% 30% 17% 210% 29% n/a 78% 19% n/a	1,365,044 526 32,000 36,077 1,433,647 3,324 18,399 21,723	(58,797) 11,648 142,645 488,276 583,772 (3,324) 106,031 102,707	-4% 2214% 446% 1353% 41% -100% 576% 473% n/a
TOTAL WATER FUNDS	8,158,434	8,158,434	2,141,849	26%	1,455,370	686,479	47%
OTAL ENTERPRISE FUNDS	14,887,358	14,887,358	3,701,126	25%	2,457,135	1,243,991	51%
NTERNAL SERVICE FUNDS							
TO INFORMATION OFFINIOFO	0.45.000	0.45.000	40.075	470/	00 504	(00.050)	000/
	245,262 891,042	245,262 891 042	40,875 148 507	17% 17%	63,531 139,554	(22,656)	-36% 6%
		891,042	148,507	17% 14%	139,554 161,768	8,953 35,896	22%
40 BUILDING MAINTENANCE SERVICES		4 447 420			101./08		ZZ70
40 BUILDING MAINTENANCE SERVICES 45 CIP ADMINISTRATION	1,447,120	1,447,120	197,664		,	00,000	
740 BUILDING MAINTENANCE SERVICES 745 CIP ADMINISTRATION 760 UNEMPLOYMENT INSURANCE	1,447,120 29,452	29,452	•	n/a	-	-	n/a
40 BUILDING MAINTENANCE SERVICES 45 CIP ADMINISTRATION 60 UNEMPLOYMENT INSURANCE 70 WORKERS COMPENSATION	1,447,120 29,452 687,700	29,452 687,700	72,827	n/a 11%	69,720	3,107	n/a 4%
40 BUILDING MAINTENANCE SERVICES 45 CIP ADMINISTRATION 60 UNEMPLOYMENT INSURANCE 70 WORKERS COMPENSATION 90 EQUIPMENT REPLACEMENT	1,447,120 29,452 687,700 198,367	29,452 687,700 198,367	72,827 33,958	n/a 11% 17%	-	3,107 (48,966)	n/a 4% -59%
730 INFORMATION SERVICES 740 BUILDING MAINTENANCE SERVICES 745 CIP ADMINISTRATION 760 UNEMPLOYMENT INSURANCE 770 WORKERS COMPENSATION 790 EQUIPMENT REPLACEMENT 793 CORPORATION YARD COMMISSION	1,447,120 29,452 687,700 198,367 160,005	29,452 687,700 198,367 160,005	72,827 33,958 25,534	n/a 11% 17% 16%	69,720 82,924	3,107 (48,966) 25,534	n/a 4% -59% n/a
40 BUILDING MAINTENANCE SERVICES 45 CIP ADMINISTRATION 60 UNEMPLOYMENT INSURANCE 70 WORKERS COMPENSATION 90 EQUIPMENT REPLACEMENT	1,447,120 29,452 687,700 198,367	29,452 687,700 198,367	72,827 33,958	n/a 11% 17%	69,720	3,107 (48,966)	n/a 4% -59% n/a



FUND			CURRENT			INCR (DECR)	
REVENUE	ADOPTED	AMENDED	YTD	%	PRIOR	FROM PRIOR	%
SOURCE	BUDGET	BUDGET	ACTUAL	OF BUDGET	YTD	YTD	OF BUDGET
AGENCY FUNDS							
841 M.H. BUS.RANCH A.D. I	736,175	736,175		n/a		-	n/a
842 M.H. BUS.RANCH A.D. II	37,177	37,177		n/a		-	n/a
843 M.H. BUS.RANCH 1998	883,205	883,205	779	0%		779	n/a
845 MADRONE BP-TAX EXEMPT	807,439	807,439	703	0%		703	n/a
846 MADRONE BP-TAXABLE	167,254	167,254	136	0%		136	n/a
848 TENNANT AVE.BUS.PK A.D.	39,523	39,523	59,685	151%		59,685	n/a
881 POLICE DONATION TRUST FUND	245	245	5	2%		5	n/a
TOTAL AGENCY FUNDS	2,671,018	2,671,018	61,308	2%	-	61,308	n/a
TOTAL FOR ALL FUNDS	81,830,508	81,830,508	7,959,561	10%	5,742,916	2,440,937	43%



	1	TILLO						
		THIS						
FUND		MONTH						PERCENT OF
NO.	FUND/ACTIVITY	ACTUAL	ADOPTED	AMENDED	YTD	OUTSTANDING	TOTAL	TOTAL TO
		EXPENSES	BUDGET	BUDGET	EXPENSES	ENCUMBRANCE	ALLOCATED	BUDGET
-								

010 GENERAL FUND						•	
I. GENERAL GOVERNMENT							
COUNCIL AND MISCELLANEOUS GOVE							
City Council	25,260	194,400	194,400	38,130	21,049	59,179	30%
Community Promotions _ COUNCIL AND MISCELLANEOUS GO	969 26 220	31,542	31,542	<u>2,167</u>	1,221	3,388	11%
COUNCIL AND MISCELLANEOUS GO	26,229	225,942	225,942	40,297	22,270	62,567	28%
CITY ATTORNEY	41,498	615,917	615,917	69,701	56,739	126,440	<u>21%</u>
CITY MANAGER							
City Manager	28,447	391,162	391,162	61,354		61,354	16%
Cable Television	4,374	45,236	45,236	5,187	14,216	19,403	43%
Communications & Marketing	7,410	106,576	106,576	10,962	31,554	42,516	<u>40%</u>
CITY MANAGER	40,231	542,974	542,974	77,503	45,770	123,273	23%
RECREATION							
Recreation	36,885	455,503	455,503	68,833	6,712	75,545	17%
Community & Cultural Center	50,155	739,223	739,223	73,495	68,122	141,617	19%
Aquatics Center		273,890	273,890				n/a
Building Maintenance (CCC)	44,320	416,108	416,108	59,526	9,049	<u>68,575</u>	<u>16%</u>
RECREATION	131,360	1,884,724	1,884,724	201,854	83,883	285,737	15%
HUMAN RESOURCES							
Human Resources	39,442	582,687	582,687	79,067	-	79,067	14%
Volunteer Programs	1,774	34,442	34,442	3,597	<u> </u>	3,597	<u>10%</u>
HUMAN RESOURCES	41,216	617,129	617,129	82,664	-	82,664	13%
CITY CLERK							
City Clerk	22,154	302,672	302,672	38,982	861	39,843	13%
Elections _	2,861	70,576	70,576	6,034	<u> </u>	6,034	<u>9%</u>
CITY CLERK	25,015	373,248	373,248	45,016	861	45,877	12%
FINANCE	67,756	889,208	889,208	135,328	8,249	143,577	16%
MEDICAL SERVICES	-				5,000	5,000	n/a
TOTAL GENERAL GOVERNMENT	373,305	5,149,142	5,149,142	652,363	222,772	875,135	17%
II. PUBLIC SAFETY							
POLICE PD Administration	33,702	491,711	491.711	66,810		66,810	14%
Patrol	241,903	3,207,070	3,207,070	452,740	10,730	463,470	14%
Support Services	70,015	897,092	897,092	120,580	10,730	120.580	13%
Emergency Services/Haz Mat	8,446	33,858	33,858	10,471	_	10,471	31%
Special Operations	95,602	1,176,399	1,176,399	156,690	3,575	160,265	14%
Animal Control	5,994	76,159	76,159	10,537	(500)	10,037	13%
Dispatch Services	71,974	858,218	858,218	127,425	1,100	128,525	<u>15%</u>
POLICE	527,636	6,740,507	6,740,507	945,253	14,905	960,158	14%
FIRE	624,163	3,745,220	3,745,220	624,163	-	624,163	17%
TOTAL PUBLIC SAFETY	1,151,799	10,485,727	10,485,727	1,569,416	14,905	1,584,321	15%
III. COMMUNITY IMPROVEMENT							
DADI/ MAINTENANCE	60.705	040.000	040 000	96.005	10 407	100 040	400/
PARK MAINTENANCE	60,705	810,323	810,323	86,635	13,407	100,042	12%
TOTAL COMMUNITY IMPROVEMENT	60,705	810,323	810,323	86,635	13,407	100,042	12%



FUND		THIS MONTH						PERCENT
NO.	FUND/ACTIVITY	ACTUAL EXPENSES	ADOPTED BUDGET	AMENDED BUDGET	YTD EXPENSES	OUTSTANDING ENCUMBRANCE	TOTAL ALLOCATED	TOTAL TO BUDGET
							7.220071122	20202.
/. TRA	NSFERS							
	Street Maintenance					-	-	n/a
	Community Center					-	-	n/a
	General Plan Update					-	-	<u>n/a</u>
то	TAL TRANSFERS	-		-	-	-	-	n/a
OTAL G	GENERAL FUND	1,585,809	16,445,192	16,445,192	2,308,414	251,084	2,559,498	16%
SPECIAL	REVENUE FUNDS							
02 STRI	EET MAINTENANCE							
	Street Maintenance/Traffic	116,596	1,533,793	1,533,793	162,230	141,588	303,818	20%
	Congestion Management	3,512	78,868	78,868	6,969	-	6,969	9%
	Street CIP	49,677	514,800	514,800	61,270	642,863	704,133	<u>137%</u>
02 STRI	EET MAINTENANCE	169,785	2,127,461	2,127,461	230,469	784,451	1,014,920	48%
04/205	PUBLIC SAFETY/SUPP.LAW	22,799	273,582	273,582	45,597		45,597	17%
06 CON	MMUNITY DEVELOPMENT FUND							
	Planning	98,992	979,437	979,437	164,090	196,565	360,655	37%
	Building	69,990	956,070	956,070	127,469	55,166	182,635	19%
	PW-Engineering	79,447	1,029,375	1,029,375	132,292	189,381	321,673	<u>31%</u>
06 CON	MMUNITY DEVELOPMENT FUND	248,429	2,964,882	2,964,882	423,851	441,112	864,963	29%
07	GENERAL PLAN UPDATE	1,791	71,257	71,257	3,067	126,156	129,223	181%
10	COMMUNITY CENTER	26,000	312,000	312,000	52,000	-	52,000	17%
15/216	CDBG	1,819	195,769	195,769	3,065	4,307	7,372	4%
20	MUSEUM RENTAL	169	2,422	2,422	306	-	306	13%
25	ASSET SEIZURE					-	-	n/a
26	OES/FEMA	-	-	-	-	-	-	n/a
29	LIGHTING AND LANDSCAPE	19,653	154,755	154,755	23,367	8,374	31,741	21%
32	ENVIRONMENT PROGRAMS	22,200	452,029	452,029	32,153	54,053	86,206	19%
34	MOBILE HOME PARK	10,737	39,661	39,661	10,876	26,901	37,777	95%
35	SENIOR HOUSING TRUST FUND		14,300	14,300			-	n/a
36 40	HOUSING MITIGATION FUND EMPLOYEE ASSISTANCE	6,000	1,033,497 20,000	1,033,497 20,000	7,500	-	7,500	n/a 38%
OTAL S	SPECIAL REVENUE FUNDS	529,382	7,661,615	7,661,615	832,251	1,445,354	2,277,605	30%
APITAL	PROJECT FUNDS							
01	PARK DEVELOPMENT	12,991	1,570,296	1,570,296	16,705	111,127	127,832	8%
02	PARK MAINTENANCE		200,000	200,000		-	-	n/a
03	LOCAL DRAINAGE	4,586	2,028,393	2,028,393	5,376	-	5,376	0%
04 05	LOCAL DRAIN. NON-AB1600	2,656	191,868	191,868	5,311	-	5,311	3%
)5	OFF STREET PARKING	44 400	3,986	3,986	44 404	220 725	250 400	n/a
)9 14	TRAFFIC MITIGATION	11,430	936,333	936,333	14,484	338,705	353,189	38%
l1	POLICE MITIGATION	554 129	1,206,645	1,206,645	1,107 257	20,000	21,107	2%
13 17	FIRE MITIGATION RDA BUSINESS ASSISTANCE		401,545 27,346,151	401,545		- 5 939 107	257	0% 54%
17 27/228		3,104,530	, ,	27,346,151	8,950,992	5,939,107	14,890,099	
27/328 46	RDA HOUSING	98,217 267	4,592,332	4,592,332	3,218,810	249,174	3,467,984	76% 0%
	PUBLIC FACILITIES		9,808,000	9,808,000	403	077 040	403	0% 117%
47 48	PUBLIC FACILITIES	91,882 19	831,229 225	831,229 225	99,166 37	877,210	976,376 37	117% 16%
+0	LIBRARY IMPACT					-	37 73	16% 0%
50	UNDERGROUNDING	36	190,437	190,437	73	-	73	U /0



		THIS						
FUND		MONTH						PERCENT O
NO.	FUND/ACTIVITY	ACTUAL	ADOPTED	AMENDED	YTD	OUTSTANDING	TOTAL	TOTAL TO
		EXPENSES	BUDGET	BUDGET	EXPENSES	ENCUMBRANCE	ALLOCATED	BUDGET
DEBT SE	ERVICE FUNDS							
527	HIDDEN CREEK A.D.	-	-	-	-	-	-	n/a
536	ENCINO HILLS A.D.	-	-	-		-	-	n/a
539	MORGAN HILL BUS. PARK A.D	-	-	-		-	-	n/a
542	SUTTER BUS. PARK A.D.	-	-	-	-	-	-	n/a
545	COCHRANE BUS. PARK A.D.	143,622	195,805	195,805	144,423	-	144,423	74%
551	JOLEEN WAY A.D.	628	40,540	40,540	1,402	-	1,402	3%
TOTAL [DEBT SERVICE FUNDS	144,250	236,345	236,345	145,825	-	145,825	62%
ENTERP	RISE FUNDS							
SEWER								
640	SEWER OPERATION	2,251,549	7,418,125	7,418,125	2,386,432	82,449	2,468,881	33%
641	CAPITAL EXPANSION	141,090	3,576,249	3,576,249	145,189	154,878	300,067	8%
642	SEWER RATE STABILIZATION	197	2,369	2,369	395		395	17%
643	SEWER-CAPITAL PROJECTS	148,772	437,843	437,843	156,512	240,578	397,090	<u>91%</u>
TOTAL S	SEWER FUND(S)	2,541,608	11,434,586	11,434,586	2,688,528	477,905	3,166,433	28%
	- (-)	, , , , , , , , ,	, . ,	, , , , , , , ,	,,.	,	,,	
WATER	Water Operations Division	556.884	6,213,247	6,213,247	836,054	492,372	1.328.426	21%
	Meter Reading/Repair	47,816	637,156	637,156	72,213	10,647	82,860	13%
	.			,		22,938		18%
	Utility Billing Water Conservation	26,141 105	391,570	391,570 8,213	46,520 203	22,930	69,458 203	
			8,213					<u>2%</u>
550	WATER OPERATIONS	630,946	7,250,186	7,250,186	954,990	525,957	1,480,947	20%
651	CAPITAL EXPANSION	65,948	1,546,253	1,546,253	86,658	956,822	1,043,480	67%
552	WATER RATE STABILIZATION	70,879	850,551	850,551	141,758	-	141,758	17%
553	WATER-CAPITAL PROJECTS	7,886	2,158,239	2,158,239	15,987	226,488	242,475	<u>11%</u>
TOTAL V	WATER FUND(S)	775,659	11,805,229	11,805,229	1,199,393	1,709,267	2,908,660	25%
TOTAL E	ENTERPRISE FUNDS	3,317,267	23,239,815	23,239,815	3,887,921	2,187,172	6,075,093	26%
INTERN	AL SERVICE FUNDS							
	AL CLIVIOL I CHEC							
730	INFORMATION SERVICES	821	245,262	245,262	19,102	191,132	210,234	86%
740	BUILDING MAINTENANCE	39,269	642,029	642,029	53,411	24,695	78,106	12%
745	CIP ENGINEERING	120,679	1,447,120	1,447,120	197,664	156,034	353,698	24%
760	UNEMPLOYMENT	-	30,000	30,000			-	n/a
770	WORKERS COMPENSATION	46,368	697,200	697,200	130,317	38,324	168,641	24%
790	EQUIPMENT REPLACEMENT	147	251,761	251,761	293	9,117	9,410	4%
793	CORP YARD COMMISSION	13,623	160,005	160,005	19,914	6,962	26,876	17%
795	GEN. LIABILITY INSURANCE	7,345	371,600	371,600	258,117	-	258,117	69%
	NTEDNAL CEDVICE FUNDS	·		·		426.264	·	
IOIALI	NTERNAL SERVICE FUNDS	228,252	3,844,977	3,844,977	678,818	426,264	1,105,082	29%
AGENCY	/ FUNDS							
341	MORGAN HILL BUS RANCH I	982,256	723,706	723,706	983,186	-	983,186	136%
342	MORGAN HILL BUS RANCH II	35,221	38,838	38,838	36,359	-	36,359	94%
343	MORGAN HILL BUS RANCH 98	577,282	871,086	871,086	578,212	-	578,212	66%
345	MADRONE BP-TAX EXEMPT	503,033	799,731	799,731	504,210	-	504,210	63%
346	MADRONE BP-TAXABLE	93,918	172,343	172,343	94,636	-	94,636	55%
348	TENNANT AVE BUS PARK AD	30,310	,0-70	. , 2,070	3-7,000	_	J-1,000	n/a
881	POLICE DONATION TRUST	_	-	-	_	-	-	n/a n/a
					-			
TOTAL A	AGENCY FUNDS	2,191,710	2,605,704	2,605,704	2,196,603	-	2,196,603	84%
REPORT	TOTAL	11,323,967	103,341,088	103,341,088	22,362,553	11,845,197	34,207,750	33%



City of Morgan Hill Enterprise Funds Report - Fiscal Year 2003/04 For the Month of August 31, 2003 17% of Year Completed

YTD INCOME STATEMENT FOR CURRENT AND PRIOR YEAR

		Sewer Oper	rations			Water Ope	rations	
			% of	Prior			% of	Prior
	Budget	YTD	Budget	YTD	Budget	YTD	Budget	YTD
Operations								
Revenues								
Service Charges Meter Install & Service	\$ 5,321,460	\$ 746,770	14%	\$ 884,514	\$ 5,738,350 40,000	\$ 1,306,247 12,174	23% 30%	\$ 1,365,044 526
Other	113,950	25,202	22%	15,468	249,584	524,353	210%	53,587
Total Operating Revenues	5,435,410	771,972	14%	899,982	6,027,934	1,842,774	31%	1,419,157
Expenses								
Operations Meter Reading/Repair Utility Billing/Water Conservation	4,533,215	905,416	20%	552,128	4,750,307 637,156 399,783	766,471 72,213 46,723	16% 11% 12%	543,059 64,334 52,518
Total Operating Expenses	4,533,215	905,416	20%	552,128	5,787,246	885,407	15%	659,911
Operating Income (Loss)	902,195	(133,444)		347,854	240,688	957,367		759,246
Nonoperating revenue (expense)								
Interest Income Interest Expense/Debt Services Principal Expense/Debt Services	51,960 (856,625) (1,115,000)	44,162 (297,135) (1,115,000)	85% 35% 100%	(692,799)	, , ,	348		
Total Nonoperating revenue (expense)	(1,919,665)	(1,367,973)		(1,327,799)	(545,440)	348		-
Income before operating xfers	(1,017,470)	(1,501,417)		(979,945)	(304,752)	957,715		759,246
Operating transfers in Operating transfers (out)	(913,285)	- (68,881)	8%	- (65,229)	1,045,785 (917,500)	174,297 (69,583)	17% 8%	14,490 (69,583)
Net Income (Loss)	\$ (1,930,755)	\$ (1,570,298)		\$ (1,045,174)	\$ (176,467)	\$ 1,062,429		\$ 704,153



City of Morgan Hill **Balance Sheets - Water and Sewer Funds** August 31, 2003 17% of Year Complete

	Sewer Operations (640)	Sewer Expansion Stabilization Capital Projects (641-643)	Water Operations (650)	Water Expansion Stabilization Capital Projects (651-653)
ASSETS				
Cash and investments:				
Unrestricted	3,075,080	6,570,877	2,755,539	4,567,164
Restricted ¹	1,898,140	5,340,119	390,761	(77,111)
Accounts Receivable		6,697		
Utility Receivables	528,356		883,548	
Less Allowance for Doubtful Accounts Notes Receivable ²	(2,633)		(2,751)	
Fixed Assets ³	33,230,110	7,321,152	24,217,670	5,644,681
Total Assets	38,729,053	19,238,845	28,244,767	10,134,734
LIABILITIES				
Accounts Payable and Accrued Liabilities Deposits for Water Services & Other Deposits Deferred Revenue 4	396,162	204,953	61,391 36,936	
Bonds Payable	25,390,000		5,985,863	
Discount on Bonds and Other Liabilities	(2,705,125)		(957,773)	
Accrued Vacation and Comp Time	41,966		88,959	
Total liabilities	23,123,003	204,953	5,215,376	0
FUND EQUITY				
Contributed Capital Retained Earnings	7,155,284		13,742,872	
Reserved for:				
Noncurrent water/sewer assets & debt	10,503,269	7,321,152	19,100,620	5,644,680
Encumbrances Notes Receivable	82,449	395,456	525,957	1,183,310
Restricted Cash	1,898,140	0	390,761	
Total Reserved Retained Earnings	12,483,858	7,716,608	20,017,338	6,827,990
Unreserved Retained Earnings	3,122,192	11,317,284	3,012,053	3,306,744
Total Fund Equity	15,606,050	19,033,892	23,029,391	10,134,734
Total Liabilities and Fund Equity	38,729,053	19,238,845	28,244,767	10,134,734

Restricted for Bond Reserve requirements and capital expansion.
 Includes Note for Sewer Financing Agreements.
 Includes Water and Sewer infrastructure and the City's share of the Wastewater treatment plant.

⁴ Includes the deferred payment portion of the loans noted above.



City of Morgan Hill Balance Sheets for Major Funds - Fiscal Year 2003/04 August 31, 2003 17% of Year Complete

L/M Housing

RDA

	General Fund	RDA (T)	L/M Housing	Sewer	water
	(Fund 010)	(Fund 317)	(Fund 327/328)	(Fund 640)	(Fund 650)
ASSETS					
Cash and investments:					
Unrestricted	10 470 296	0.042.200	2 020 792	2.075.090	2 755 520
	10,470,286	9,812,288	3,029,783	3,075,080	2,755,539
Restricted ¹	4,150			1,898,140	390,761
Accounts Receivable	916,451	37,301	9,645		
Utility Receivables (Sewer and Water)				528,356	883,548
Less Allowance for Doubtful Accounts				(2,633)	(2,751)
Loans and Notes Receivable ²	510,279	2,850,605	22,397,420		
Prepaid Expense	1,364				
Fixed Assets ³	,,,,	71,049		33,230,110	24,217,670
I IACU ASSOCIS		71,043		33,230,110	24,217,070
Total Assets	11,902,530	12,771,243	25,436,848	38,729,053	28,244,767
		· · ·			
LIABILITIES					
		40 -04	40.054		
Accounts Payable and Accrued Liabilities	273,691	16,501	13,354	396,162	61,391
Deposits for Water Services & Other Deposits	23,202				36,936
Deferred Revenue 4	1,138,639	999,969	5,584,496		
Bonds Payable				25,390,000	5,985,863
Discount on Bonds and Other Liabilities	7,163			(2,705,125)	(957,773)
Accrued Vacation and Comp Time				41,966	88,959
Total liabilities	1,442,695	1,016,470	5,597,850	23,123,003	5,215,376
FUND FOURTY					
FUND EQUITY					
Contributed Capital				7,155,284	13,742,872
Fund Balance / Retained Earnings					
Reserved for:					
Noncurrent water/sewer assets & debt				10,503,269	19,100,620
Encumbrances	251,084	5,939,107	249,174	82,449	525,957
Restricted Cash	231,004	3,333,107	243,174	1,898,140	390,761
RDA properties held for resale		71,049		1,030,140	390,701
Loans and Notes Receivable		1,850,636			
Loans and Notes Neceivable		1,030,030	10,012,923		
Total Reserved Fund Equity	251,084	7,860,792	17,062,099	12,483,858	20,017,338
Designated Fund Equity ⁵	7,300,000				
Unreserved/Undesignated Fund Equity	2,908,751	3,893,981	2,776,899	3,122,192	3,012,053
Total Fund Equity	10,459,835	11,754,773	19,838,998	15,606,050	23,029,391
Total Liabilities and Fund Equity	11,902,530	12,771,243	25,436,848	38,729,053	28,244,767

General Fund

¹ Restricted for Petty Cash use, Bond Reserve requirements and sewer and water capital expansion.

² Includes Housing Rehab loans, Financing Agreements for Public Works Fees and loans for several housing and Agency projects.

³ Includes Water and Sewer infrastructure, the City's share of the Wastewater treatment plant and RDA properties held for resale.

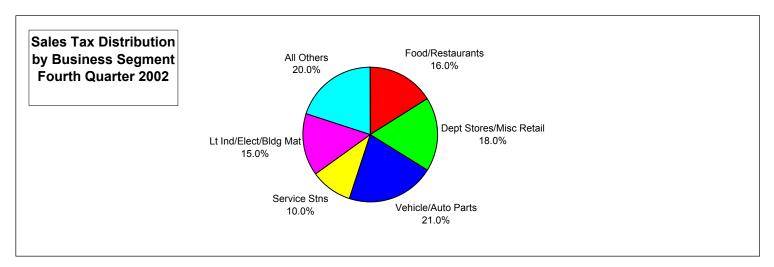
⁴ Includes the deferred payment portion of the loans noted above.

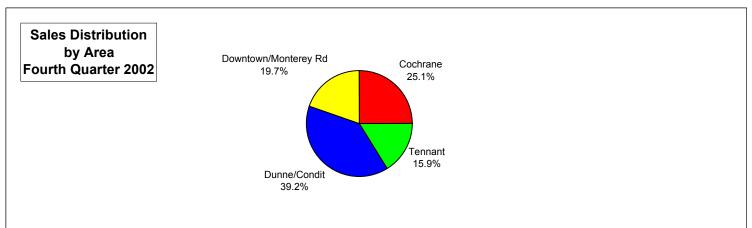
⁵ Designated for economic uncertainty, emergencies, and Fire Master Plan implementation



City of Morgan Hill Sales Tax Comparison - Fiscal Year 2003/04 For the Month of August 2003 17% of Year Complete

	Amount Collecte	d for Month f	or Fiscal Year	Amount Colle	ected YTD for	Fiscal Year	Comparison of YT	D for fiscal years
Month	03/04	02/03	01/02	03/04	02/03	01/02	03/04 to 02/03	03/04 to 01/02
July	\$338,300	\$367,600	\$377,700	\$338,300	\$367,600	\$377,700	(29,300)	(39,400)
August	\$451,000	\$447,000	\$503,600	\$789,300	\$814,600	\$881,300	(25,300)	(92,000)
September	r	\$361,932	\$437,056	,	\$1,176,532	\$1,318,356	,	,
October		\$354,915	\$339,000		\$1,531,447	\$1,657,356		
November		\$474,800	\$452,000		\$2,006,247	\$2,109,356		
December		\$384,154	\$538,465		\$2,390,401	\$2,647,821		
January		\$368,600	\$393,900		\$2,759,001	\$3,041,721		
February		\$487,195	\$466,068		\$3,246,196	\$3,507,789		
March		\$225,908	\$351,548		\$3,472,104	\$3,859,337		
April		\$292,698	\$341,042		\$3,764,802	\$4,200,379		
May		\$394,500	\$461,500		\$4,159,302	\$4,661,879		
June		\$502,924	\$275,116		\$4,662,226	\$4,936,995		
Year To D	ate Totals			\$789,300	\$4,662,226	\$4,936,995		
Sales Tax	Budget for Year			\$4,650,000	\$5,330,000	\$5,300,000		
Percent of	•	e)		17%	87%	93%	-3%	-10%







CITY COUNCIL STAFF REPORT MEETING DATE: SEPTEMBER 17, 2003

TITLE: FINAL FISCAL YEAR 2002/03 BUDGET ADJUSTMENTS

RECOMMENDED ACTION:

1) Approve the proposed final budget adjustments for Fiscal Year 2002/03.

EXECUTIVE SUMMARY: In order to finalize financial activity for Fiscal Year 2002/03, it is necessary to make certain budgetary adjustments to various funds as proposed on the attached schedule. These adjustments will provide sufficient

Agenda Item # 2
Prepared By:
Budget Manager
Approved By:
Finance Director
Submitted By:
City Manager

appropriations for all situations where actual expenditures exceeded the previously approved Fiscal Year 2002/03 budget. Explanations of the recommended adjustments follow:

General Fund; Community Promotions

Community Promotions exceeded its supplies & services budget by approximately \$2,900. This increase was offset by savings in the City Clerk Activity.

General Fund; Recreation

The budget was exceeded by approximately \$55,000, primarily in Part-Time Salaries and Contract Services. These increases are offset by savings in the Community & Cultural Center Activity.

General Fund; Police Support Services, Special Operations; Animal Control

The Police Department shifted resources among divisions. A combined \$101,000 excess of expenditures over budget for Support Services, Special Operations and Animal Control was offset by savings in Police Administration Activity.

General Fund; Building Maintenance of the Community & Cultural Center

The budget was exceeded by \$5,800 due to higher than expected maintenance costs. This increase was offset by savings in the Community & Cultural Center Operations Activity.

Employee Assistance Fund

This loan program exceeded its budget by \$8,600 due to higher activity than anticipated. All loan expenditures will be repaid in future years. Sufficient fund balance is available.

Lighting & Landscape Fund

The budget was exceeded by \$36,400 due to higher than expected contract services costs. Sufficient fund balance is available.

General Liability Fund

The budget was exceeded by \$73,400 due to increased claims. Sufficient fund balance is available.

Assessment District Funds

Certain assessment district funds exceeded the budget primarily because bonds were called early due to accumulations of fund balance.

Public Facility Impact Fund

Various construction project costs and commitments exceeded the budget by a combined \$282,000. Sufficient fund balance is available.

FISCAL IMPACT: The fiscal impact of each adjustment is detailed on attached Exhibit A. Sufficient resources are available to finance the proposed revisions.

SUMMARY OF FINAL BUDGET ADJUSTMENTS - FY 2002/03 Appropriation Fund Balance Increase Increase **Fund Dept Account Description** (Decrease) (Decrease) **General Fund** 010 1220 42248 Community Promotions "Other Supplies" 2,900 010 2410 42531 City Clerk "Office Equipment Maintenance" (2,900)25,000 010 2110 42231 Recreation "Contract Services" 30,000 **010 2115 41100** CCC "Regular Salaries" (25,000)010 2115 42231 CCC "Contract Services" (30,000)(101,000)010 3205 41100 Police Administration "Salaries - General" 010 3225 42214 Support Services "Telephone" 21,000

GRAN	ID TOT	ALS		519,100	(519,100)
845	8361	44990	Madrone Business Park "Principal"	78,000	(78,000)
843	8357	45000	MH Business Ranch 1998 "General Fund Admin"	7,600	(7,600)
841	8305	45000	MH Business Ranch I "General Fund Admin"	5,100	(5,100)
795	8210	42539	General Liability "Claims for Damages"	73,400	(73,400)
545	8307	44990	Cochrane Business Park AD "Principal"	28,000	(28,000)
347	8056	86360	Public Facility Impact Fund "Construction"	282,000	(282,000)
229	8351	42231	Lighting & Landscape "Contract Services"	36,400	(36,400)
Vario	us Fun	<u>ds</u>			
240	2610	42605	Computer Loans	8,600	(8,600)
	_	ssistand		0.000	(0.000)
			out contract contract	(0,000)	
010	2115		CCC "Contract Services"	(5,800)	_
010	5150	42510	Building Maintenance (CCC) "Bldgs/Imprs."	5,800	_
010	5450	43825	Animal Control "Machinery/Equipment"	32,000	-
010	3245		Special Operations "Salaries - General"	48,000	-



CITY COUNCIL STAFF REPORT MEETING DATE: September 17, 2003

FOR-SALE ATTACHED HOUSING SUBCOMMITTEE

RECOMMENDED ACTION:

If appropriate, identify Council representative to join Attached Housing Subcommittee

EXECUTIVE SUMMARY:

In the recent months, there have been a number of changes in the insurance industry which have impacted the construction of new for-sale, attached homes. Most insurance carriers will no longer provide construction liability coverage for any project containing attached housing or they have significantly raised their premiums. These changes are severely impacting local homebuilders and their subcontractors.

Three local developers (Dividend Homes, Glenrock Builders, and South Valley Developers) approached the City to call attention to the insurance issue and to seek some sort of relief which would allow them to proceed with their residential projects. The developers proposed a design solution which involves separating attached units and building an architectural element in between the units to give the appearance of attachment. Should the City allow developers to separate attached housing units, there are a number of unanswered questions surrounding the proposal, including but not limited to implications to the General Plan, Zoning Code and Measure P, standardized design, eligibility criteria, and procedural standards.

The developers' proposal was presented to the Planning Commission at the September 9 Commission meeting. The Commission acknowledged the need to take some action, however, was not in a position to act on the matter that evening due to the complexity of the issues involved. As a result, the Planning Commission formed a subcommittee comprised of two local developers, two Commissioners, and Staff to review the matter and draft a recommended course of action. The Commission also requested one Architectural Review Board member and one or two Council members to participate in the subcommittee, should the Council wish to do so.

The first subcommittee meeting is scheduled for Friday, September 12. Although this meeting will have passed by the September 17 Council meeting, it is anticipated that the review process will extend to include future meetings.

The results of the subcommittee will be presented to the Planning Commission for their use in forming a recommendation to the City Council.

FISCAL IMPACT: No budget adjustment required.

Agenda Item # 3

Prepared By:

Associate Planner

Approved By:

CDD Director

Submitted By:

City Manager



MEETING DATE: September 17, 2003

APPROVAL OF PG&E FEES FOR AQUATICS CENTER

RECOMMENDED ACTION(S):

Approve payment of fees to PG&E for the Aquatics Center in the amount of \$188,592.74

EXECUTIVE SUMMARY:

As a part of the development of the Aquatics Center, it is necessary to pay PG&E to provide gas & electric service to the project as well as underground the overhead utilities along Barrett Avenue. Staff made application to PG&E this past March. They have now completed their engineering and cost estimating. Upon payment of fees, PG&E is expected to schedule construction for sometime in October. The fees breakdown as follows:

Electric Service	\$ 14,403.81
Gas Service	\$ 19,710.93
Undergrounding	\$126,127.00
Street Lights	\$ 1,588.00
Trench Costs	\$ 29,763.00
TOTAL	\$191,592.74

Agenda Item # 4

Prepared By:

Project Manager

Approved By:

Public Works Director

Submitted By:

City Manager

Since the City of Morgan Hill has already paid a \$3,000 deposit, the total amount due is \$188,592.74.

FISCAL IMPACT: The above amount is included in the adopted project budget of \$13,900,000. No additional funding is required.



MEETING DATE: September 17, 2003

APPROVAL OF IMPROVEMENT AGREEMENT FOR JASMINE SQUARE

RECOMMENDED ACTION: Approve the attached Improvement Agreement and authorize the City Manager to sign the agreement of behalf of the City with South County Housing.

Agenda Item # 5
Prepared By:
Assistant Engineer
Approved By:
Public Works Director
Submitted By:
City Manager

EXECUTIVE SUMMARY:

This agreement is to guarantee the construction of off-site improvements at Jasmine Square, 16500 – 16510 Monterey Road. (See attached location map.) The public improvements are required per section 12.02.050 of the Municipal Code. The estimated construction cost of the public improvements is \$538,373.

The applicant has furnished the City with the necessary documents and has made provision with the City to provide the necessary security guaranteeing the completion of public improvements prior to the issuance of the building permit. Staff recommends that City Council approve the attached Improvement Agreement and authorize the City Manager to sign on behalf of the City.

FISCAL IMPACT:

Development review for this project is paid for from development processing fees.



MEETING DATE: September 17, 2003

AWARD OF BID FOR SAN PEDRO PONDS FENCING PROJECT

RECOMMENDED ACTION(S):

- 1. Appropriate an additional \$25,000 for the project with additional Prop. 12 grant funding.
- 2. Award Contract to Cyclone Fence and Iron (CFI), for the construction of fencing and gates in the amount of \$87,010.

Agenda Item # 6 Prepared By: Assistant Engineer Approved By: Public Works Director Submitted By:

City Manager

EXECUTIVE SUMMARY:

This project includes the installation of 11,000 linear feet of 3' high fencing, with 15' and 4' wide access gates around San Pedro Ponds. Please see attached map. As Council is aware, this is a cooperative project with SCVWD, the SCVWD Board is expected to approve the Joint Use Agreement for the San Pedro Pond Bike and Pedestrian Trail on September 16, 2003.

The bid opening was held on August 19, 2003 and the bids received are as listed below. The low bidder has worked for the City of Morgan Hill on various projects and we have been very satisfied with their work. Staff recommends award of the contract to Cyclone Fence and Iron. If awarded, the project will begin in October, 2003 and will be completed by late November, 2003.

Cyclone Fence and Iron	\$ 87,010
Central Fence	\$101,500
Crusader Fence	\$111,495
Arrow Fencing	\$118,040
Steel Fence Systems	\$134,446
North American Fence	\$154,795

The total funding for the project is from Prop. 12 funds with a \$90,000 allocation. A total of \$15,000 has been spent to date, mostly on environmental studies. Staff has received confirmation from the contractor to allow for a deductive change order to change from black vinyl coated fencing to galvanized fencing, which will lower the overall construction price to \$65,000 and leave a \$10,000 construction contingency.

FISCAL IMPACT: The additional funds request adds \$25,000 in Prop. 12 grant funds to this project for project budget total of \$90,000. The total bid for this project is \$87,010, which does not include a contingency.



CITY COUNCIL STAFF REPORT MEETING DATE: September 17, 2003

UTILITY UNDERGROUNDING FEE DEFERRAL PROGRAM

RECOMMENDED ACTION(S): Adopt a resolution: 1) approving the Utility Undergrounding Fee Deferral Program and 2) authorizing the City Manager to implement the program and make modifications to the program, as appropriate, so long as all loan requests above \$50,000 are brought back to the City Council for approval.

Agenda Item # 7
Prepared By:
BAHS Analyst
Approved By:
BAHS Director
Submitted By:
City Manager

EXECUTIVE SUMMARY:

The payment of the utility undergrounding in-lieu fee can be a significant up-front cost to a developer. This is especially true where the parcel has significant frontage, such as corner lots. The current fee is \$103.00 per lineal foot. This cost can sometimes be a barrier to development. For example, the Granary project is currently struggling with the financial impacts of this requirement. In part to address the issues raised by the developer of the Granary and to reduce barriers to development, the City Council directed staff to develop a program to minimize the impacts of utility undergrounding in –lieu fees on development.

The proposed financing program will provide the City with a significant economic development tool to assist businesses. The program will minimize the up-front financial impact of paying utility undergrounding in-lieu fees and thereby encourage development. This program is modeled after the City's Sewer and Traffic Fee Deferral Program with some improvements.

The key components of the program are:

- Requires a 20% downpayment;
- Security for the loan will vary depending on the loan amount;
- Interest on the loan is the Local Agency Investment Fund (LAIF) rates plus ½%;
- Loan term would be for a maximum of five years;
- The maximum deferral would be 80% of the Utility Undergrounding Fee;
- Payments are amortized over the loan period;
- Loan \$50,000 and less can be approved by the City Manager; and
- Loans in excess of \$50,000 would require approval by the City Council.

Attached to the resolution is the program guideline.

FISCAL IMPACT: The program would delay receipt of Utility Undergrounding Fee revenues for up to five years. At this time, we are unable to estimate how many businesses would participate in the program.

RESOLUTION NO.

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL APPROVING THE UTILITY UNDERGROUNDING FEE DEFERRAL PROGRAM

RECITALS

WHEREAS, the City of Morgan Hill wishes to attract new and to encourage expanding businesses; and

WHEREAS, the City recognizes the high development cost associated with utility undergrounding requirements; and

WHEREAS, the City wishes to make commercial developments more feasible by allowing the Utility Undergrounding In-Lieu Fee to be paid over a period of up to five years instead of as a single, up-front payment; and,

WHEREAS, the new Utility Undergrounding Fee Deferral Program is business friendly, yet prudent and business-like, and ensures payment to the City;

NOW, THEREFORE, based on the evidence presented to the City Council, including the written staff report and oral testimony in this matter, the City Council does hereby find, determine, resolve and order as follows:

Section 1. The Utility Undergrounding Fee Deferral Program is approved as attached.

<u>Section 2</u>. The City Manager is authorized to implement the program and make modifications to the program, as appropriate and necessary, so long as all loan requests above \$50,000 are brought back to the City Council for approval.

PASSED AND ADOPTED by the City Council of Morgan Hill at a Regular Meeting held on the 17th Day of September, 2003, by the following vote.

AYES: COUNCIL MEMBERS: NOES: COUNCIL MEMBERS: ABSTAIN: COUNCIL MEMBERS: ABSENT: COUNCIL MEMBERS:

***** CERTIFICATION *****

I, IRMA TORREZ, CITY CLERK OF THE CITY OF MORGAN HILL, CALIFORNIA, do hereby certify that the foregoing is a true and correct copy of Resolution No., adopted by the City Council at a Regular Meeting held on September 17, 2003.

WITNESS MY HAND AND THE SEAL OF THE CITY OF MORGAN HILL.

DATE:	
	IRMA TORREZ, City Clerk



CITY COUNCIL STAFF REPORT MEETING DATE: September 17, 2003

TITLE: SECOND AMENDMENT TO AGREEMENT WITH THE LAW FIRM OF SHUTE, MIHALY & WEINBERGER, LLP

RECOMMENDED ACTIONS:

Authorize the City Manager to execute a Second Amended Agreement with the law firm of Shute, Mihaly & Weinberger, LLP.

EXECUTIVE SUMMARY:

On May 22, 2003, the City entered into a contract in the amount of \$10,000 with the law firm of Shute, Mihlay & Weinberger, LLP, to provide assistance with the City's Measure P update. This contract was amended on August 19, 2003, to increase the contract amount to \$20,000. It has become necessary for a member of the firm to attend a September Planning Commission meeting and an October City Council meeting to discuss the Measure P update. The current contract is insufficient to cover the fees and expenses necessary to prepare for and appear at these meetings. Therefore, staff is recommending that Council approve the attached Second Amendment to Agreement increasing the contract amount to \$25,000. This amount should be sufficient to cover the anticipated fees and costs associated with the preparation and attendance at the Planning Commission and City Council meetings.

FISCAL IMPACT:

The cost of this Second Amendment to Agreement can be accommodated in the City Attorney's Office budget. No additional appropriation is necessary at this time.



CITY COUNCIL STAFF REPORT MEETING DATE: SEPTEMBER 17, 2003

ADOPT ORDINANCE NO. 1632, NEW SERIES

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF **APPROVING AMENDMENT MORGAN** HILL AN TO **ORDINANCE** NO. 1472, **NEW** SERIES. TO **AMEND DEVELOPMENT AGREEMENT** DA 99-04 TO **ALLOW** TO THE **SCHOOLS AMENDMENT CATEGORY** COMMITMENT FOR MEASURE P PROJECT MP-98-24: E. **DUNNE-O'CONNELL**

Agenda Item # 9
Prepared By:
Deputy City Clerk
Approved By:
City Clerk
Submitted By:
City Manager

RECOMMENDED ACTION(S):

<u>Waive</u> the Reading, and <u>Adopt</u> Ordinance No. 1632, New Series, and <u>Declare</u> That Said Title, Which Appears on the Public Agenda, Shall Be Determined to Have Been Read by Title and Further Reading Waived.

EXECUTIVE SUMMARY:

On September 3, 2003, the City Council Introduced Ordinance No. 1632, New Series, by the Following Roll Call Vote: AYES: Carr, Kennedy, Sellers, Tate; NOES: None; ABSTAIN: None; ABSENT: Chang.

FISCAL IMPACT:

No budget adjustment required.

ORDINANCE NO. 1632, NEW SERIES

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL APPROVING AN AMENDMENT TO ORDINANCE NO. 1472, NEW SERIES, TO AMEND DEVELOPMENT AGREEMENT DA 99-04 TO ALLOW AMENDMENT TO THE SCHOOLS CATEGORY COMMITMENT FOR MEASURE P PROJECT MP-98-24: E. DUNNE-O'CONNELL

THE CITY COUNCIL OF THE CITY OF MORGAN HILL DOES HEREBY ORDAIN AS FOLLOWS:

- **SECTION 1.** The City Council has adopted Resolution No. 4028 establishing a procedure for processing Development Agreements for projects receiving allotments through the Residential Development Control System, Title 18, Chapter 18.78 of the Municipal Code.
- <u>SECTION 2.</u> The California Government Code Sections 65864 thru 65869.5 authorizes the City of Morgan Hill to enter into binding Development Agreements with persons having legal or equitable interests in real property for the development of such property.
- **SECTION 3.** On January 19, 2000, the City Council approved the development agreement for application MP-98-24: E. Dunne-O'Connell; and
- **SECTION 4.** The City Council hereby finds that the development agreement amendment approved by this ordinance is compatible with the goals, objectives, policies, and land uses designated by the General Plan of the City of Morgan Hill.
- **SECTION 5.** Effective Date Publication. This ordinance shall take effect thirty (30) days after the date of its adoption. The City Clerk is hereby directed to publish this ordinance pursuant to §36933 of the Government Code.
- **SECTION 6.** Severability. If any part of this Ordinance is held to be invalid or inapplicable to any situation by a court of competent jurisdiction, such decision shall not affect the validity of the remaining portions of this Ordinance or the applicability of this Ordinance to other situations.
- **SECTION 7.** AMENDMENT TO PARAGRAPH 14, SECTION (j) SUBSECTION (ii). To facilitate the improvements requested by the Morgan Hill Unified School District, the City Council hereby amends paragraph 14, section (j) subsection (ii) as follows:
 - (ii) Will provide caution signal and crosswalk on Main Dunne Avenue at Live Oak High School Nordstrom School or equivalent alternative to be worked out with the school district at the rate of \$1000/unit or estimate of the original commitment cost which ever is greater. Project alternative and estimate amount subject to the approval of the Director of Public Works.

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City of Morgan Hill Ordinance No. 1632, New Series Page 2

The foregoing ordinance was introduced at the regular meeting of the City Council of the City of Morgan Hill held on the 3rd Day of September 2003, and was finally adopted at a regular meeting of said Council on the 17th Day of September 2003, and said ordinance was duly passed and adopted in accordance with law by the following vote:

	COUNCIL MEMBERS: COUNCIL MEMBERS: COUNCIL MEMBERS: COUNCIL MEMBERS:		
ATTEST:		APPROVED:	
Irma Torrez	z, City Clerk	Dennis Kennedy, Mayor	
CALIFORN 1632, New S	RMA TORREZ, CITY CLI IA, do hereby certify that the fo	DEF THE CITY CLERK ©S ERK OF THE CITY OF MORGAN HILD oregoing is a true and correct copy of Ordinance North of the City of Morgan Hill, California at their regulation.	o.
WIT	NESS MY HAND AND THE SI	EAL OF THE CITY OF MORGAN HILL.	
DATE:		IDMA TODDEZ City Clark	
		IRMA TORREZ, City Clerk	



CITY COUNCIL STAFF REPORT MEETING DATE: SEPTEMBER 17, 2003

ADOPT ORDINANCE NO. 1633, NEW SERIES, AS AMENDED

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF **AMENDMENT APPROVING MORGAN** HILL AN TO **NEW ORDINANCE** NO. 1503. SERIES. TO AMEND DEVELOPMENT AGREEMENT DA 00-07 TO ALLOW FOR CIRCULATION FLEXIBILITY IN THE AND **SCHOOL** CATEGORY COMMITMENTS FOR MEASURE P PROJECT MP-99-16: E. DUNNE-TROVARE

Agenda Item # 10
Prepared By:
Deputy City Clerk
Approved By:
City Clerk
Submitted By:
City Manager

RECOMMENDED ACTION(S):

<u>Waive</u> the Reading, and <u>Adopt</u> Ordinance No. 1633, New Series, and <u>Declare</u> That Said Title, Which Appears on the Public Agenda, Shall Be Determined to Have Been Read by Title and Further Reading Waived.

EXECUTIVE SUMMARY:

On September 3, 2003, the City Council Introduced Ordinance No. 1633, New Series, Amending Section 7, paragraph 14, section (j), subsection (ii) to include the following sentence: "Should the Nordstrom School improvements not be installed and agreement not be reached regarding an equivalent alternative by completion of the subdivision which is subject to this development agreement, an in lieu fee shall be paid to the City and held until such time as the alternative improvement(s) is identified and installed" by the Following Roll Call Vote: AYES: Carr, Kennedy, Sellers, Tate; NOES: None; ABSTAIN: None; ABSENT: Chang.

FISCAL IMPACT:

No budget adjustment required.

ORDINANCE NO. 1633, NEW SERIES

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL APPROVING AN AMENDMENT TO ORDINANCE NO. 1503, NEW SERIES, TO AMEND DEVELOPMENT AGREEMENT DA 00-07 TO ALLOW FOR FLEXIBILITY IN THE CIRCULATION AND SCHOOL CATEGORY COMMITMENTS FOR MEASURE P PROJECT MP-99-16: E. DUNNE-TROVARE.

THE CITY COUNCIL OF THE CITY OF MORGAN HILL DOES HEREBY ORDAINS AS FOLLOWS:

- **SECTION 1.** The City Council has adopted Resolution No. 4028 establishing a procedure for processing Development Agreements for projects receiving allotments through the Residential Development Control System, Title 18, Chapter 18.78 of the Municipal Code.
- **SECTION 2.** The California Government Code Sections 65864 thru 65869.5 authorizes the City of Morgan Hill to enter into binding Development Agreements with persons having legal or equitable interests in real property for the development of such property.
- **SECTION 3.** On January 17, 2001, the City Council approved the development agreement for application MP-99-16: E. Dunne-Trovare; and
- **SECTION 4.** The City Council hereby finds that the development agreement amendment approved by this ordinance is compatible with the goals, objectives, policies, and land uses designated by the General Plan of the City of Morgan Hill.
- **SECTION 5.** Effective Date Publication. This ordinance shall take effect thirty (30) days after the date of its adoption. The City Clerk is hereby directed to publish this ordinance pursuant to §36933 of the Government Code.
- **SECTION 6.** Severability. If any part of this Ordinance is held to be invalid or inapplicable to any situation by a court of competent jurisdiction, such decision shall not affect the validity of the remaining portions of this Ordinance or the applicability of this Ordinance to other situations.
- **SECTION 7.** AMENDMENT TO PARAGRAPH 14, SECTION (j) SUBSECTION (ii). To facilitate the improvements requested by the Morgan Hill Unified School District, the City Council amends paragraph 14, section (j) subsection (ii) to read as follows:
 - (ii) Installation of a car/bus pull out for up to three buses or eight cars for safety improvements to Nordstrom Park/School or the equivalent alternative to be worked out with the school district at the rate of \$1000/unit or estimate of the original commitment cost which ever is greater. Project alternative and estimate amount subject to the approval of the Director of Public Works. Should the Nordstrom School improvements not be installed and agreement not be reached regarding an equivalent alternative by completion of the subdivision which is subject to this

development agreement, an in lieu fee shall be paid to the City and held until such time as the alternative improvement(s) is identified and installed.

SECTION 8. AMENDMENT TO PARAGRAPH 14, SECTION (j) SUBSECTION (iii). Due to a change in circumstance beyond the developer's control, the frontage improvement commitment on the north side of E. Dunne Ave. cannot be completed. As an alternative commitment, the City Council hereby amends paragraph 14, section (j) subsection (iii) to read as follows:

(iii) Developer will install a continuous safe walking route sidewalk across the entire length of the Hung and Kristovich properties on the north side of Dunne Ave. standard frontage improvements (curb, gutter, and sidewalk) along E. Dunne Ave. immediately to the west of the Hung Nursery (a.k.a. Grewal property), and install an 8 ft. wide pathway contiguous to the existing edge of pavement within the existing City right-of-way fronting the Hung Nursery property. The 8 ft. wide pathway will connect to the existing City sidewalk to the east of the Hung property and will provide a continuous walking path on the north side of East Dunne Ave. Should the property owner of the property to the west of the Nursery (a.k.a. Grewal property), install his own E. Dunne Ave. frontage improvements, the developer shall install alternative public improvements of equal value, at the discretion of the Director of Public Works

SECTION 9. AMENDMENT TO PARAGRAPH 14, SECTION (n) SUBSECTION (iv). Due to a change in circumstance beyond the developer's control, the frontage improvement commitment on the north side of E. Dunne Ave. cannot be completed. As an alternative commitment, the City Council hereby amends paragraph 14, section (n) subsection (iv) to read as follows:

(iv) Installation of 200 ft. of frontage improvement on the Hung Nursery frontage.

Developer will install standard frontage improvements (curb, gutter, and sidewalk) along E. Dunne Ave. immediately to the west of the Hung Nursery (a.k.a. Grewal property), and install an 8 ft. wide pathway contiguous to the existing edge of pavement within the existing City right-of-way fronting the Hung Nursery property. The 8 ft. wide pathway will connect to the existing City sidewalk to the east of the Hung property and will provide a continuous walking path on the north side of East Dunne Ave. Should the property owner of the property to the west of the Nursery (a.k.a. Grewal property), install his own E. Dunne Ave. frontage improvements, the developer shall install alternative public improvements of equal value, at the discretion of the Director of Public Works

City of Morgan Hill Ordinance No. 1633, New Series Page 3

The foregoing ordinance was introduced at the regular meeting of the City Council of the City of Morgan Hill held on the 3rd Day of September 2003, and was finally adopted at a regular meeting of said Council on the 17th Day of September 2003, and said ordinance was duly passed and adopted in accordance with law by the following vote:

	COUNCIL MEMBERS: COUNCIL MEMBERS: COUNCIL MEMBERS: COUNCIL MEMBERS:		
ATTEST:		APPROVED:	
	, City Clerk	Dennis Kennedy, Mayor	
CALIFORN 1633, New So	RMA TORREZ, CITY CLI IA, do hereby certify that the for	DETHE CITY CLERK CS ERK OF THE CITY OF MORGAN Is oregoing is a true and correct copy of Ordinancial of the City of Morgan Hill, California at their rooms.	ce No.
WIT	NESS MY HAND AND THE S	EAL OF THE CITY OF MORGAN HILL.	
DATE:		IRMA TORREZ, City Clerk	



CITY COUNCIL STAFF REPORT MEETING DATE: SEPTEMBER 17, 2003

ADOPT ORDINANCE NO. 1634, NEW SERIES, AS AMENDED

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF **AMENDMENT APPROVING MORGAN** HILL AN TO 1511, **NEW ORDINANCE** NO. SERIES. TO AMEND DEVELOPMENT AGREEMENT DA 01-01 TO ALLOW FOR FLEXIBILITY IN THE SCHOOLS AND CIRCULATION CATEGORY COMMITMENTS FOR MEASURE P PROJECT MP 00-29: E. DUNNE-TROVARE

Agenda Item # 11
Prepared By:
Deputy City Clerk
Approved By:
City Clerk
Submitted By:
City Manager

RECOMMENDED ACTION(S):

<u>Waive</u> the Reading, and <u>Adopt</u> Ordinance No. 1634, New Series, and <u>Declare</u> That Said Title, Which Appears on the Public Agenda, Shall Be Determined to Have Been Read by Title and Further Reading Waived.

EXECUTIVE SUMMARY:

On September 3, 2003, the City Council Introduced Ordinance No. 1634, New Series, Amending Section 9, Paragraph 14, section (n), subsection (v) to include the following sentence: "Should the Nordstrom School improvements not be installed and agreement not be reached regarding an equivalent alternative by completion of the subdivision which is subject to this development agreement, an in lieu fee shall be paid to the City and held until such time as the alternative improvement(s) is identified and installed" by the Following Roll Call Vote: AYES: Carr, Kennedy, Sellers, Tate; NOES: None; ABSTAIN: None; ABSENT: Chang.

FISCAL IMPACT:

No budget adjustment required.

ORDINANCE NO. 1634, NEW SERIES

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL APPROVING AN AMENDMENT TO ORDINANCE NO. 1511, NEW SERIES, TO AMEND DEVELOPMENT AGREEMENT DA 01-01 TO ALLOW FOR FLEXIBILITY IN THE SCHOOLS AND CIRCULATION CATEGORY COMMITMENTS FOR MEASURE P PROJECT MP 00-29: E. DUNNE-TROVARE.

THE CITY COUNCIL OF THE CITY OF MORGAN HILL DOES HEREBY ORDAINS AS FOLLOWS:

- **SECTION 1.** The City Council has adopted Resolution No. 4028 establishing a procedure for processing Development Agreements for projects receiving allotments through the Residential Development Control System, Title 18, Chapter 18.78 of the Municipal Code.
- **SECTION 2.** The California Government Code Sections 65864 thru 65869.5 authorizes the City of Morgan Hill to enter into binding Development Agreements with persons having legal or equitable interests in real property for the development of such property.
- **SECTION 3.** On June 6, 2001, the City Council approved the development agreement for application MP-00-29: E. Dunne-Trovare;
- **SECTION 4.** The City Council hereby finds that the development agreement amendment approved by this ordinance is compatible with the goals, objectives, policies, and land uses designated by the General Plan of the City of Morgan Hill.
- **SECTION 5.** Effective Date Publication. This ordinance shall take effect thirty (30) days after the date of its adoption. The City Clerk is hereby directed to publish this ordinance pursuant to §36933 of the Government Code.
- **SECTION 6.** Severability. If any part of this Ordinance is held to be invalid or inapplicable to any situation by a court of competent jurisdiction, such decision shall not affect the validity of the remaining portions of this Ordinance or the applicability of this Ordinance to other situations.
- **SECTION 7**. AMENDMENT TO PARAGRAPH 14, SECTION (j) SUBSECTION (ii). To facilitate the improvements requested by the Morgan Hill Unified School District, the City Council hereby amends paragraph 14, section (j) subsection (ii) to read as follows:
 - (ii) Will provide caution signal and crosswalk on Main Dunne Avenue at Live Oak High School Nordstrom School or equivalent alternative to be worked with the school district at the rate of \$1000/unit or estimate of the original commitment cost which ever is greater. Project alternative and estimate amount subject to the approval of the Director of Public Works.

City of Morgan Hill Ordinance No. 1634, New Series Page 2

SECTION 8. AMENDMENT TO PARAGRAPH 14, SECTION (n) SUBSECTION (iv). Due to a change in circumstance beyond the developer's control, the frontage improvement commitment on the north side of E. Dunne Ave. cannot be completed. As an alternative commitment, the City Council hereby amends paragraph 14, section (n) subsection (iv) to read as follows:

(iv) Installation of 200 ft. of frontage improvement on the Hung Nursery frontage.

Developer will install standard frontage improvements (curb, gutter, and sidewalk) along E. Dunne Ave. immediately to the west of the Hung Nursery (a.k.a. Grewal property), and install an 8 ft. wide pathway contiguous to the existing edge of pavement within the existing City right-of-way fronting the Hung Nursery property. The 8 ft. wide pathway will connect to the existing City sidewalk to the east of the Hung property and will provide a continuous walking path on the north side of East Dunne Ave. Should the property owner of the property to the west of the Nursery (a.k.a. Grewal property), install his own E. Dunne Ave. frontage improvements, the developer shall install alternative public improvements of equal value, at the discretion of the Director of Public Works.

SECTION 9. AMENDMENT TO PARAGRAPH 14, SECTION (n) SUBSECTION (v). To facilitate the improvements requested by the Morgan Hill Unified School District, the City Council hereby amends paragraph 14, section (n) subsection (v) to read as follows:

(v) Propose to construct the widening of the sidewalk and student loading pads at Nordstrom parking lot for student bus loading or pull out for up to 3 buses or 8 eight cars or equivalent alternative to be worked out with the school district at the rate of \$2000/unit or estimate of the original commitment cost which ever is greater. Project alternative and estimate amount subject to the approval of the Director of Public Works. Should the Nordstrom School improvements not be installed and agreement not be reached regarding an equivalent alternative by completion of the subdivision which is subject to this development agreement, an in lieu fee shall be paid to the City and held until such time as the alternative improvement(s) is identified and installed.

SECTION 10. AMENDMENT TO PARAGRAPH 14, SECTION (n) SUBSECTION (vi). To facilitate the improvements requested by the Morgan Hill Unified School District, the City Council hereby amends paragraph 14, section (n) subsection (vi) to read as follows:

(vi) Installation of signalized caution signal and cross walk at the high school Nordstrom School or equivalent alternative to be worked out with the school district at the rate of \$1000/unit or estimate of the original commitment cost which ever is greater. Project alternative and estimate amount subject to the approval of the Director of Public Works.

City of Morgan Hill Ordinance No. 1634, New Series Page 3

The foregoing ordinance was introduced at the regular meeting of the City Council of the City of Morgan Hill held on the 3rd Day of September 2003, and was finally adopted at a regular meeting of said Council on the 17th Day of September 2003, and said ordinance was duly passed and adopted in accordance with law by the following vote:

AYES: NOES: ABSTAIN: ABSENT:	COUNCIL MEMBERS:	
ATTEST:		APPROVED:
Irma Torrez	, City Clerk	Dennis Kennedy, Mayor
CALIFORN 1634, New S	RMA TORREZ, CITY CLI IA, do hereby certify that the for	DF THE CITY CLERK CS ERK OF THE CITY OF MORGAN HILL pregoing is a true and correct copy of Ordinance No uncil of the City of Morgan Hill, California at their mber, 2003.
WIT	NESS MY HAND AND THE S	EAL OF THE CITY OF MORGAN HILL.
DATE:		IRMA TORREZ, City Clerk

Submitted for Approval: September 17, 2003

CITY OF MORGAN HILL JOINT SPECIAL AND REGULAR REDEVELOPMENT AND SPECIAL CITY COUNCIL MEETING MINUTES – AUGUST 27, 2003

CALL TO ORDER

Agency/Council Member Tate called the special meeting to order at 5:07 p.m.

ROLL CALL ATTENDANCE

Present: Agency/Council Members Carr, Sellers, Tate

Late: Vice-Chair/Mayor Pro Tempore Chang (arrived at 5:09 p.m.)

Absent: Chairperson/Mayor Kennedy

DECLARATION OF POSTING OF AGENDA

Agency Secretary/City Clerk Torrez certified that the meeting's agenda was duly noticed and posted in accordance with Government Code 54954.2.

Redevelopment Agency Action

WORKSHOP:

1. ART IN PUBLIC PLACES

Executive Director Tewes informed the Agency Board that a couple of months ago, the Agency Board established a series of goal statements regarding art. The Agency Board requested a follow-up workshop on art in public spaces. He stated that staff has a short presentation to make to the Agency Board. Following the short staff presentation, the Agency Board may wish to ask questions and comment. He noted that there are individuals in attendance who would like to address the Agency Board on this topic.

Vice-chair Chang entered and took her seat on the dias.

Business Assistance and Housing Services Manager Maskell presented the staff report on public art. She indicated that the Agency Board received a presentation on this topic in December 2002 at which time the Agency Board directed staff to bring back a discussion guide with the options for establishing an art board, funding, etc. In February 2003, the Agency Board adopted two goals in its goal setting session: 1) Support the efforts of the Morgan Hill Community Foundation (MHCF) to establish a non governmental program; and 2) the possibility of developing a public arts program. She presented a power point presentation on permanent art as opposed to exhibition/rotating art as well as the key issues to consider.

City of Morgan Hill Joint Special & Regular Redevelopment Agency and Special City Council Meeting Minutes – August 27, 2003 Page - 2 -

Agency Member Tate said that there is an implication contained in the staff report that the Agency Board has already delegated a lot of the key issues to the MHCF. He inquired whether the Agency Board stated that it would delegate public art to the MHCF as he did not recall this action.

Executive Director Tewes said that when the Agency Board met in January 2003, the Agency Board considered whether it should establish a city commission or committee for arts. Staff presented two major issues: 1) first amendment issues that come about any time government gets involved; and 2) the capacity of the organization both financially and staff-wise to a commission or committee. The Agency Board indicated that they would prefer to have a non governmental approach to public art.

Vice-chair Chang inquired whether the Agency Board would be giving the MHCF authority over public art.

Executive Director Tewes said that the Agency Board could adopt an ordinance that requires that private development spend 1% of the project on public art with no review. For civic projects, the Agency Board may want to have benefit of review by the MHCF. The question is whether the Agency Board wants to have a requirement or encouragement of public art.

Agency Member Sellers said that the City could set up an environment or framework so that it would encourage groups like the MHCF to have a role in public art. The MHCF could be set up as a vehicle through which they could develop this. He felt that it was important for the City to assist in the definition of the role of the MHCF as the Agency proceeds.

Agency Member Carr inquired what the City could be doing to encourage private development to develop art in public places.

Ms. Maskell responded that the Agency Board could encourage public art by providing extra Measure P points to residential developers who would donate money to an art fund.

Executive Director Tewes said that another alternative would be to request individuals who seek Redevelopment Agency financial assistance to advise how they would respond to the request for public art

Vice-chair Chang inquired what percentage of public art would be desired (e.g., 2% 10%, or 50%).

Ms. Maskell said that it would depend on whether it would be a private project versus a public project. She indicated that some cities require that all developers contribute to an art fund.

Vice-chair Chang opened the floor to public comment.

Bob Benich said that staff omitted reference to a workshop held in January 2003 that was facilitated by the former Chief of Police. He indicated that the purpose of the workshop was to develop guidelines for a draft ordinance on public arts. He felt that this was getting to be too complicated and bureaucratic. He said that the original concept that he put out a few years ago was that there be some public art for civic

City of Morgan Hill Joint Special & Regular Redevelopment Agency and Special City Council Meeting Minutes – August 27, 2003 Page - 3 -

projects. Somehow, public art has grown to look at developers for assistance. He recommended that the City consider public art for public projects. As far as funding, he was confused as to why there is discussion regarding the use of the park funds. He felt that funding should come from a percentage of the cost of a building, budgeted at the onset of the project and that funding should not come from other funding sources. He agreed that when you have a requirement, policy or ordinance, someone has to oversee it. This would result in 1¼% cost to a project with 1% going toward the art project and ¼% being allocated toward administrative costs. He questioned whether the MHCF was the appropriate body to oversee public art for the City. Since the City is paying for public art, he felt that the City should have the final say on the art project to be funded. He felt that it made more sense for the City Council/Agency Board to appoint an art commission versus having the MHCF oversee public art. The art council could review the request for proposals, look at the design based on a criterion established for a particular project, and forward a recommendation to the Council/Agency Board. He reiterated that the Council/Agency Board should make the final decision as it is the agency funding the project.

Daryl Manning indicated that the MHCF has not had a discussion regarding public art and that the MHCF would need to meet with whoever is driving this issue. She supported Mr. Benich's position in terms of the Council/Agency Board having a say on the final decision as it is paying for public art. She did not believe that it was necessary to appoint an art council but that the City could appoint a cultural review board who would forward a recommendation to the Council with consultation from the MHCF or local community groups. She said that the City of Gilroy has an Arts and Cultural Commission and have a public art policy/program in place. She recommended that City staff contact the City of Gilroy and have a dialogue with them regarding their public arts program. She stated that she spoke with Sylvia Cook who is associated with the Arts Council Silicon Valley and also serves on the MHCF Board who indicates that she received a package on the development of a public arts policy. She said that she would forward this information to Ms. Maskell.

Sylvia Cook indicated that she is a member of the MHCF Board and the Morgan Hill Downtown Association. She said that the Downtown Association has been discussing the production of murals in the downtown. She felt that the City needs a cohesive area where individuals can come together. As far as the MHCF goes, she said that David Reisenauer and she met with Julie Spier and City Manager Tewes to discuss the possible role of the MHCF in a public arts program. She indicated that neither the MHCF bylaws nor its mission statement addresses public art. She stated that the MHCF is a granting agency. She stated that the MHCF will be conducting a leadership forum, a collaborative effort to be held on Tuesday, October 21. She indicated that all major non profit organizations will be invited to the forum and that the MHCF will try to put together a collaborative effort and a needs assessment program. She indicated that break out sessions will take place with different focus areas such as arts, life long learning, education, youths, seniors, science and technology. This particular conference will have break out groups that will address arts and life long learning. She indicated that Dave Craig will be addressing the Council on September 3 regarding the collaborative conference that will be taking place. She said that the MHCF would be happy to assist the City in anyway that it can but that the MFCF does not see this as one of its roles.

Chuck Dillmann said that a difficult question to answer is "what is art." He suggested that before going too much further with public art that the Council/Agency Board and staff visit surrounding cities to see

City of Morgan Hill Joint Special & Regular Redevelopment Agency and Special City Council Meeting Minutes – August 27, 2003 Page - 4 -

how public art was implemented, how much was spent and what was achieved. He said that in one city, public arts funding came from the Transient Occupancy Tax. It was not clear whether the agency received what they should for their money. Should public art be funded by the City, even through an art impact fee, it should be administered by somebody who is responsible to the Council such as an Arts Council. He felt that there should be a general survey of the community to determine how much support there is for public art. He noted that the City does not have a lot of money at this time and that the City is doing well to stay within budget. He said that there were other needs in the community such as weekend Library hours that could be served by the use of any excess funds in order to improve the lives of the population; more than having art to look at. However, he felt that a policy should be established for art provided by others (donated art). He cautioned the Agency Board not to move too fast and allow public art to get out of its control.

Wes Rolley indicated that he spoke with the arts commission of Mt. View who are responsible for selecting and siting public art. He said that if art is placed in a location where not many individuals will be able to view it, no one will care. He felt that there is a need for public art in this community. He said that spending time and having an association with an organization called Cultural Mission of Silicon Valley would be of assistance to the City as they have conducted several surveys that have been published about the status of art and art programs in the Valley. Last year, they brought the author of a Creative Society. The premise of this book was that as the economy grows, communities prosper to the extent that the town/community supports creative endeavors. By creating an environment that supports creativity and art, you create an environment that attracts creative people who will drive the economic interest of the community. He felt that this was an important concept, one that would require leadership from the Council/Agency Board.

Jeanne Gregg stated that she supports public art and felt that it will take the leadership of the Council/Agency Board to bring a focused vision to the establishment of a cultural arts advisory council if it wants to pursue public art. She did not believe that there was much support in the community for public art at this time. She felt that there has to be some type of leadership that encourages and supports a well thought out public arts program.

Don Jensen stated that he was disappointed with the suggestion of 1% of a project's funding being applied to a project to make it a meaningful public art presentation. He indicated that the Council has in place a Cultural Resources Commission in which the ARB serves this dual role. He does not know who wears the hat at this time, the Planning Commission or the ARB. He said that art can take on a significant importance. He felt that impact fees should apply to projects, including awarding points to Measure P projects who commit to public art. He expressed concern about negative politics. He felt that the downtown should be the focus/recipient of this process. He felt that public art needs to be a governmental process and that he would be willing to support a non governmental entity as a second choice. He stated that he was excited that public art was moving forward, ahead of the timeline, as the time is right to move forward with public art.

Wes Rolley stated that approximately one year ago, he submitted a proposal to the City to create tiles at the Community and Cultural Center. This was put on the back burner until the City established a policy on public art. He noted that a year has come and gone and that a public art policy has not been City of Morgan Hill Joint Special & Regular Redevelopment Agency and Special City Council Meeting Minutes – August 27, 2003 Page - 5 -

developed. He stated that his proposal is still on the table to bring public art to the Community and Cultural Center.

Executive Director Tewes noted that the General Plan states that the City should develop planning standards to encourage the inclusion of public art in new and renovated non residential projects. Having heard this concept, the Council/Agency Board may wish to limit public art to public projects as suggested by Mr. Benich. He noted that a citizen has stated that the City should move faster on the action plan. At the Council retreat, the Council discussed whether or not to establish a City appointed commission. At that time, the Council articulated its policy statement. He indicated that he met with the MHCF who advised him of their plans for the Leadership Forum. Following the Leadership Forum, the City will have a report from the Foundation. He felt that the Foundation has demonstrated that they know more about art and art policies than City staff. If the focus is to be on public projects, the City will need to figure out how public art is to be financed. The Council/Agency Board could include in the budget funds to provide public art on public projects. He stated that the use of development impact fees is not an option being presented to the Council/Agency Board as these are fees that are charged to new development for the impact imposed to the existing community. He did not believe that the lack of art is likely to stand up under AB1600 as an appropriate impact fee. Imposing a new tax would require a vote of the people. He said that the City could generate new resources for art and make it available to help pay for public art, if desired. If the City simply wants to encourage public art, the City could discuss ways to encourage the private sector to provide public art. He noted that there are some cities that require public art by ordinance such that a private project of a certain size would be required to invest in public art which does not always involve overview by a commission or city staff.

Agency Member Tate stated that he would be opposed to identifying a certain cost/percentage of a project that should be set aside for public art. He said that he was not opposed to public art but that he would like flexibility in the amount dedicated to public art, depending on the facility. Also, if the City is going to earmark funds for art in public projects, the City has to include these funds as cost cuttings that the City may have to make as has been done on most city projects. He felt that public art should be weighed against everything else in terms of benefit to a project. He did not believe that the Council can trust to an outside organization to make the decision on what kind of art is to be provided in public facilities as there would be no accountability to the kinds of issues that may come up. He would like to proceed on answering questions and having a plan in place, even if the City cannot spend a lot of money.

Agency Member Carr felt that the City should be doing something as the time is right to proceed with public art. He said that every comment presented this evening was important. He felt that the Council/Agency Board has demonstrated its commitment to the arts, noting that the City developed a playhouse for performing arts. He felt that the community was supporting the community theater and other community theater endeavors in south county. He felt that the community was ready to proceed with public art. He agreed that the policy should be kept simple and that he was not interested in new fees or taxes. He did not believe that the time was right to establish a new commission because the City does not have the staffing capacity to do so at this time. He was comfortable having the Council/Agency Board being the deciding body on public art. He recommended that the creation of a public art account be investigated. If the City is providing benefits to private development, he felt that

City of Morgan Hill Joint Special & Regular Redevelopment Agency and Special City Council Meeting Minutes – August 27, 2003 Page - 6 -

this is an area that the Council/Agency Board can look at as a leverage to encourage contributions toward this fund or as an integration of art into private projects.

Agency Member Sellers felt that the Council was leaning toward supporting public art. However, he felt that the Council was in danger of doing what it has done in the past; moving forward with a project without allocating resources. He felt that the Council needs further definition of what it is looking for. He did not believe that it would be feasible to establish an art commission at this time as the City is financially and fiscally constrained. He noted that the City has not had growth in staff for some time. He felt that there were simple ways of looking at public art and that answers are not simple because the City is constrained by fiscal resources. If the City looked at a specific formula such as 11/4% public art for the community center, this would result in approximately \$200,000 that would have had to be set aside for art. He inquired what project element(s) would need to be eliminated to incorporate public art? He felt that it was important that it be understood that the City has incorporated a lot of art into its public facilities and that it will also incorporate public art within the indoor recreation center, the aquatics center and the library. If the only thing that the City requires is 1% of the project cost to be applied to public art, he did not believe that the City is being as creative as it should be. He felt that further consideration should be given to incorporating public art opportunities in the update of Measure P. He noted that the City has a basic supply and demand formula and that it has been the basis for a lot of things that have been incorporated into Measure P. The City has requested developers to go above and beyond Measure P commitments. He sees a direct correlation between asking somebody for a commitment to provide public art opportunities within their project or to donate into an art fund in order to receive Measure P points. He said that there may be some limitations in terms of individuals who would view/see art in the private sector. He felt that it would be worth exploring incorporating public art in the Measure P update/criteria. This would go a long way in helping to establish the resources for the development of public art. He agreed that citizen input has been helpful. He recommended that this item be agendized at a regular Council/Agency Board meeting in order to give a definition to public art.

Ms. Maskell said that should the City require that every project contribute 1% toward an art fund, the Council/Agency Board could decide how much funding should be applied toward a given project.

Vice-chair Chang noted that the Community and Cultural Center is completed and that all of the City projects in the pipeline are financially constrained. She stated that she did not see how the City could require 1% being applied toward public art. She sees that ½% would be an appropriate amount to earmark toward public art.

Agency Member Tate felt that it would be important to answer a lot of the questions that were raised before addressing what the appropriate number should be. He felt that for some projects, 1% may be too little.

Agency Member Carr concurred that staff should reagendize this item for a regular Council/Agency Board meeting in order to answer questions raised by staff.

Action: By consensus, the Agency Board <u>Provided</u> staff with comments on the Development of an Art in Public Places Policy; and <u>Directed</u> staff to agendize this item for a regular City

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Council/Agency Board meeting.

Redevelopment Agency and City Council Action

CLOSED SESSIONS:

Agency Counsel/City Attorney Leichter announced the below listed closed session items.

1

CONFERENCE WITH LEGAL COUNSEL - ANTICIPATED LITIGATION

Significant Exposure/Initiation of Litigation

Authority: Government Code Sections 54956.9(b) & (c)

Number of Potential Cases: 2

2.

EXISTING LITIGATION:

Legal Authority: Pursuant to Government Code 54956.9(a)

Case Title: Kennedy et al. v. Davis et al.

Case Name/No.: Santa Clara County Superior Court Case No. CV 803679
Attendees: City Manager, City Attorney, Special Counsel Matt Jacobs

3.

PUBLIC EMPLOYEE PERFORMANCE EVALUATION

Pursuant to Government Code 54957

Public Employee Performance Evaluation: City Attorney
Attendees: City Council, City Attorney

OPPORTUNITY FOR PUBLIC COMMENT

Vice-Chair/Mayor Pro Tempore Chang opened the Closed Session items to public comment. No comments were offered.

ADJOURN TO CLOSED SESSION

Vice-Chair/Mayor Pro Tempore Chang adjourned the meeting to Closed Session at 6:12 p.m.

RECONVENE

Vice-Chair/Vice-Mayor Chang reconvened the meeting at 7:07 p.m.

CLOSED SESSION ANNOUNCEMENT

Agency Counsel/City Attorney Leichter announced that in the case of Kennedy et al. v. Davis et al., the City Council determined not to continue the appeal on this matter.

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SILENT INVOCATION

Vice-chair/Mayor Pro Tempore Chang requested that Henk Marselis, a leader in civic activities and a great member of the YMCA, be remembered as he passed away this morning.

PLEDGE OF ALLEGIANCE

At the invitation of Vice-Chair/Mayor Pro Tempore Chang, Alex Kennett led the Pledge of Allegiance.

PRESENTATIONS

The presentation by the Housing Action Coalition on Myths and Facts re: Affordable Housing was deferred to a future meeting.

Nick Singh informed the Agency Board/Council that in attendance were Brittany Bach, Brandon Bach, and Jonathan O'Mahen to address Project S.S.T.A.R.'s, Spanish Speaking Teens as Resources, indicating that there is a long list of individuals who are backing this program financially as well as endorsing the program. It is the program's goal to make English speaking teens aware of the language barrier that Spanish speaking teens face everyday in classrooms. It is felt that increasing the awareness of the language barrier can correct the situation. He requested City Council endorsement and financial donation/backing in support of the S.S.T.A.R.'s Program to help get the program off the ground.

Agency/Council Member Tate indicated that Jonathan O'Mahen, is a Youth Advisory Committee Member and their representative to Project YES. Mr. O'Mahen introduced the S.S.T.A.R.'s Program to Project Yes, indicating that Project YES endorsed the Program and will be receiving funding from Project YES, the funding mechanism of the Council to youth projects. Project Yes requests that additional information about the Developmental Assets be included into the program to justify funding.

The Agency Board/Council stated their endorsement of the S.S.T.A.R.'s Program.

CITY COUNCIL SUB-COMMITTEE REPORT

Council Member Sellers reported on the Morgan Hill Downtown Association. He indicated that there is a lot of concern in the Downtown Association about how the City would be looking at proposals (e.g., formal RFP process, who will be involved in the RFP process, etc.). He stated that he would like to make sure that the Economic Development Subcommittee (EDS) considers this concern and that there be further discussion of how the Downtown Association can be involved informally/formally. He recommended that there be discussion on how the City will proceed with the allocation of the funds before proceeding further. It was his understanding that this item will return to the Council on September 17 or 24.

Council Member Carr indicated that the EDS met this evening to talk specifically about the RFP process, the development of a criterion and how it will weigh through all of the applications. At a

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minimum the EDS would like the Downtown Association to review the criterion and help with the establishment of the criterion.

Council Member Sellers announced that the Morgan Hill Community Foundation will be hosting its second fund raising event, a Hawaiian Luau, on Sunday, September 7 from 3-7 p.m. at the San Martin Pumpkin Patch.

City Manager Tate announced that on October 17 a commemorative event will be held in honor of Ken Tougus.

CITY MANAGER REPORT

City Manager Tewes reported on the testing of the City's water wells for perchlorate. He was pleased to report that all of the water delivered by the public water supply system to the City's customers meets or exceeds all state and federal standards. He indicated that the results this month suggest that all of the wells have been tested for perchlorate and found to be at a non detectible level. The Condit well did have a detection level of 4 ppm this month. However, he noted that it has been off line and will remain off line for a period of time. He said that the Nordstrom perchlorate treatment plant has been operational for several weeks and is meeting or exceeding all the standards established by the Department of Health Services.

CITY ATTORNEY REPORT

City Attorney Leichter indicated that she did not have a report to present this evening.

OTHER REPORTS

None.

PUBLIC COMMENT

Cindy Gobin stated that she read in the newspaper about the golf course on the Fry's property being built without benefit of permits. In Tuesday's newspaper, it states that the consequence of this activity is that Fry's only gets to play 18 rounds of golf per day. She found this to be unbelievable, unfair and unethical. She indicated that nitrates, water and pesticides are necessary to keep pests off the golf course and to keep the golf course green. She also read in the newspaper that the golf course was built without the performance of any environmental impact studies, indicating that they are going to be conducted after the fact. She felt that the damage has been done as a creek has been diverted. Also, discovered was that buildings were built without permits. She indicated that she knows an individual who just sold their home and was required to remove every structure that did not have a permit. She wondered why this did not happen to the Fry's property. She also read in the Morgan Hill Times several times this summer about the concern relating to the level of water in the aquifers and that everyone should be careful with the use of water. She felt that all residents of Morgan Hill are being extra careful in order to provide enough water for the 18-hole golf course without deciding in a fair way whether this

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was an appropriate use. She felt that this was a question of ethics and fairness, and felt that the same rules should apply to everyone. She also heard that PG&E hooked up power to wells on the Fry's property without benefit of permits.

City Attorney Leichter provided a chronology history of the golf course. She indicated that a Temporary Use Permit (TUP) was issued today to the Math Institute. The TUP contains 27 conditions which were solicited and obtained from the U.S. Fish and Wildlife Service, the Regional Water Quality Control Board, the Santa Clara Valley Water District and other agencies with regulatory jurisdictions over the environmental issues. These agencies provided the City conditions to attach to the TUP, including monitoring of water quality, monitoring of weather conditions to determine watering, and mitigation measures to protect the endangered species/plants. Therefore, this was not simply a TUP so that the Institute can play golf. It is a TUP which enables the City to have some control over the environmental conditions that are taking place. The TUP does allow the Institute to play golf but in mitigation of the impacts that have occurred on the land. She indicated that the project has been under environmental review and that the environmental draft impact report should be issued at the end of September. She stated that the same regulatory agencies that have jurisdiction over the endangered species and the water quality, and sub surface water levels have been involved with the preparation of the environmental impact report. She said that the environmental impact report will contain numerous mitigation measures for the environmental damage that has taken place. This not simply a case of issuing someone a permit; but a case of issuing someone a permit with appropriate environmental conditions to mitigate the damage that has been caused on the property. She invited any member of the public to review the extensive environmental review, documentation and mitigation measures on this project, indicating that this is a lengthy review process.

Natasha Wist concurred with Ms. Gobin's comments. She felt that often times the wealthy and influential in cities, states and government get away with a lot while ordinary citizens have to go through a lengthy bureaucratic process to get something done. She said that she read in the newspaper that several of the City officials were defending Mr. Fry's building of the illegal golf course. She felt that it was a poor excuse to allow what has taken place based on a willingness to sponsor a mini PGA tournament that will bring money into the City.

Fran Odoms said that she understood that there is a family business that is trying to secure a permit through the City. She also understands that it has been several years that the family has tried to acquire the permit. She indicated that this is a very active family in the community with sons who graduated from Live Oak High School. She inquired why it has taken so long to issue the permits.

Bernie Mulligan thanked the Council and the City Manager for the work conducted the last 6-12 months. He felt that the City is on track with a lot of the projects in the pipeline. He felt that the projects can be accomplished but that it is a time and money problem. He requested that the Council track the budget as it is critical that the City watches money that goes out the door to fund the various projects. He was pleased to see the Council working well together. He felt that the downtown was heading in the right direction and that he is hoping that it becomes a viable downtown business district. He would like to see good restaurants of various types, good antique stores and businesses that will draw individuals to the downtown. He felt that the City has a very viable business future.

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No further comments were offered.

Mayor Pro Tempore Chang said that as long as she has had a seat on the Council, the Council has tried to treat everyone equally and fairly to the best of its ability and that it will continue to do so.

Redevelopment Agency Action

CONSENT CALENDAR:

Action: On a motion by Agency Member Carr and seconded by Agency Member Tate, the Agency

Board, on a 4-0 vote with Chairman Kennedy absent, Approved Consent Calendar Items

2 and 3as follows:

2. <u>JULY 2003 FINANCE & INVESTMENT REPORT</u>

Action: Accepted and Filed Report.

3. CHAMBER OF COMMERCE AGREEMENT

<u>Action: Authorized</u> the Executive Director to Prepare and Execute an Agreement, in an Amount Not to Exceed \$125,000, with the Morgan Hill Chamber of Commerce to Implement Their Community Development Marketing Plan.

City Council Action

CONSENT CALENDAR:

Mayor Pro Tempore Chang indicated that there were citizens in attendance to address Consent Calendar Item 5. Therefore, she pulled Item 5 from the Consent Calendar.

Action: On a motion by Council Member Carr and seconded by Council Member Tate, the City

Council, on a 4-0 vote with Mayor Kennedy absent, <u>Approved</u> Consent Calendar Items 4,

6 and 7 as follows:

4. AMENDMENT TO AGREEMENT WITH THE LAW FIRM OF HATCH & PARENT

<u>Action:</u> <u>Authorized</u> the City Manager to Execute an Amendment to Agreement with the Law Firm of Hatch & Parent.

6. FINAL MAP ACCEPTANCE FOR CAPRIANO PHASE V (TRACT 9525)

Action: Approved and Authorized Recordation of the Final Map.

7. <u>APPROVAL OF RIGHT OF WAY PURCHASE AGREEMENT FOR TENNANT</u> AVENUE WIDENING PROJECT (APN: 817-04-007)

Action: 1) Approved Purchase; and 2) Authorized City Manager to Execute Purchase

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Agreement with the Owner of APN 817-04-007 for the Acquisition of This Property, Subject to Approval as to Form by City Attorney, for a Total Compensation of \$47,741 Plus Escrow and Closing Costs.

5. <u>APPROVAL TO JOIN SANTA CLARA COUNTY COLLABORATIVE INTEGRATED</u> PEST MANAGEMENT (IPM) PROGRAM

Deputy Director of Public Works Struve presented the staff report.

Mayor Pro Tempore Chang opened the floor to public comment.

Bill Cox stated that it was his hope that the City will vote to join Santa Clara County in this program. He felt that it was primarily an issue of better health for the children and everyone living in the community if we can get rid of very toxic pesticides.

Natasha Wist stated that she has been working with the County of Santa Clara who passed an ordinance 8-9 months ago and hired a wonderful IPM coordinator in Narish Duggal. The IPM coordinator is trying to provide training to all Santa Clara County employees as the County has already implemented alternatives to pesticides on all County grounds. It is her hope that Morgan Hill will be able to adopt its own ordinance and get on the band wagon and help protect the environment. She heard that the five worst areas in the United States for air quality are in the Central Valley, from Riverside to Sacramento. She did not want this to happen to Santa Clara Valley and recommended that cities in the County start actively doing something to use alternatives to toxics in the environment.

Cinda Dalla, a San Martin resident, indicated that she has been physically affected by perchlorate. She stated that over the summer, she took an environmental science class in which pesticides were discussed, including the side affects that it poses on individuals. She highly recommended that alternatives to pesticides be used as they can contribute to learning disability.

Cynthia Stoker stated that she cares about the environment and her health. She felt that this is a great community, moving to Morgan Hill 2.5 years ago. She indicated that she has lived most her life in the outskirts of Moffit Field which had a problem with ground water contamination with TCE (tetrachloride ethylene), a toxic chemical that accumulated over many years by Fairchild Semiconductor. Mt. View and the federal government are investigating the contamination as individuals have come up with brain tumors and Parkinson's disease. She urged the Council to support the IPM training for gardeners who maintain city parks and to do the prudent thing. She felt that the \$1,000 per year for training is a cheap investment for individuals who reside in the community.

No further comments were offered.

Council Member Sellers inquired whether city staff will be receiving education training soon to understand how to reduce the use of pesticides or will staff await training for approximately 2 years from now pending the adoption of a program ordinance.

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Deputy Director of Public Works Struve responded that there will be educational opportunities for city staff. As far as the timeline, he stated that Mr. Duggal will be going to the Board of Supervisors with this program in September for their support. Therefore, within the next 60 days, staff will start attending the County's educational sessions.

Council Member Sellers encouraged City staff to take advantage of this educational opportunity. He requested that staff do everything it can to help expedite this program.

Council Member Carr said that as a former citizen member to the Pollution Prevention Control Committee, the citizen's group assisted in the development of the ordinance. The citizen's group spent a lot of time with County staff, citizens and members from public health to put the ordinance together. He said that it was very thoughtful in how the County developed the ordinance and felt that it would be a very good resource in developing the City's ordinance. He stated his support of moving forward with this idea and using this model.

Action:

On a motion by Council Member Sellers and seconded by Council Member Tate, the City Council, on a 4-0 vote with Mayor Kennedy absent: 1). <u>Received</u> Report; and 2) <u>Approved</u> Staff Recommendation to Join Santa Clara County's Collaborative IPM Program for Education and Training.

Alex Kennett, Chair of the Chamber of Commerce's Economic Development Committee (EDC), addressed Consent Calendar Item 3, thanking the Council for approving the Chamber of Commerce's agreement. He indicated that in attendance this evening were Sunday Minnich, Executive Director of the Chamber and sits on the EDC; Randy Toch, Member of the Chamber Board; Ramona Etchibarne, member of the EDC; and Dan Craig and Laura Brunton, EDC members and Chamber Board Members. It is the Chamber's belief that the approval of the agreement will be an investment. He stated that the City will find that there will be a step up in the performance of the EDC.

Council Member Carr said that as a member of the City's Economic Development Subcommittee, he thanked the Chambers willingness to address concerns that it brought to the table, especially in the area of accountability, review, and setting/improving goals. He felt that the agreement approved this evening has addressed these areas.

City Council Action

OTHER BUSINESS:

8. <u>JUNE 2003 FINAL FINANCE AND INVESTMENT REPORT</u>

Finance Director Dilles presented the staff report, indicating that when staff brought to the Council the 2003-04 budget, staff made certain projections about where the City would be at the end of the year in June 2003. At that time, staff projected that the City would have an operating loss of approximately \$600,000 for the year. Since finalizing all of the City's transactions and closed the books, the loss was actually approximately \$300,000 rather than \$600,000. This was primarily due to better revenues in

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property taxes. He felt that this should help the City in the coming year with the higher revenue base.

City Treasurer Roorda provided the Council with an update on City finances, looking at the General Fund. He said that it is a difficult economic climate today. He said that although the City's finances are not all that bright, it is pretty good as City staff has reacted well to Council's direction to reduce expenses. He noted that revenues have come in a little bit higher than expected. He said that the City has a good year behind it given the circumstances and the environment we're in. He felt that the City was much better off than a number of other cities in the County and statewide. He presented a power point presentation that addressed general revenue sources for the City's General Fund. He depicted actual results for the year, and how it compared with the budget, and how far off the City was from the budget in terms of dollars and percentage terms. He noted that the City came in at about 3.5% under budget in terms of revenue. He said that despite the fact that the City did not achieve its budgeted amount, the City managed to grow over last year. He indicated that staff reduced expenses by 6% from the budgeted amount, bringing it down \$1+ million below the levels that were originally budgeted. He indicated that the General Fund covers the expenses associated with police, administrative services and fire. He noted that the Chief of Police managed to bring down his budget by almost 6%. Although the City grew in the administrative area to try and achieve some of its objectives, the City still managed to bring this down substantially 11%, helping to contribute to the overall 6% compared to budget reduction and expenses; better matching the City's expenses with revenues. He said that the City had some mid year budget adjustments such that staff felt that it would spend almost \$800,000 more than it would bring in revenue. As the City got closer to the end of the year, staff was able to look at where it was and where it thought it would be. Therefore, it was being projected, through the budget cycle for FY 03-04, that there would be an approximately \$600,000 deficit. What was achieved were some pleasant surprises such as property taxes. This limited the deficit to \$300,000, placing the City ahead where it thought it would be budget-wise and where it thought it would be when staff was projecting at the end of the year. He noted that next year's budget shows that the City is growing slightly in both revenue projections and expenses but that this seems to be in line with the projections just slightly higher in terms of a deficit for the coming year.

City Manager Tewes clarified that administration numbers includes the recreation division. When the City opened the Community Center and expanded recreational services, he felt that it was recorded as what the City Treasurer calls "administrative costs."

Mayor Pro Tempore Chang opened the floor to public comment. No comments were offered.

Action: On a motion by Council Member Tate and seconded by Council Member Sellers, the City Council, on a 4-0 vote with Mayor Kennedy absent, Accepted and Filed the Report.

9. <u>PRESENTATION OF SOUTH COUNTY REGIONAL WASTEWATER AUTHORITY</u> (SCRWA) CAPACITY EXPANSION NEEDS

Director of Public Works Ashcraft informed the City Council that in attendance were Christopher Cain and Simon Hart from Montgomery Watson Harza, long time design engineers for the SCRWA plant who will be presenting a power point presentation and answer questions that Council may have.

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Christopher Cain presented a power point presentation on the SCRWA Capital Improvements Program for 2000-2020. He indicated that the first item completed is an 8.5 mgd treatment upgrade. The next items to be completed included a river discharge study and a wetland enhancement studies. Also, proposed are reclamation plant expansions with an expansion to 12.75 mgd treatment scheduled to be on line by 2009. He identified other improvements made to the treatment plant. He stated that he has not yet gone before the regional board and request that the capacity of the plant be upgraded. He does not have the implementation costs for the output of the proposed studies included in the CIP. There are some monies included for an early version of the wetlands concept. He indicated that a pipeline rehab has been completed for the existing distribution pipeline and that a pipeline to the Calpine facility has been completed. The project being launched at this time is a filter expansion. In the future, there will be an expansion and the addition of the third oxidation ditch to the plant. It is expected that this project will need to be brought on line by 2009 with the design commencing in 2005. It is expected that the CIP would see substantial \$40 million expenditure in the 2007-08 timeframe, adding another second oxidation ditch and secondary clarifier. He stated that the SCWRA Board and technical advisory committee are looking at the plans continuously, making a push over the next few months to update the planning materials. He said that the needs show that the actual facilities are coming along. In response to Council Member Sellers question, Mr. Cain indicated that the substantial expansion will serve the communities out to 2020.

Council Member Tate stated that it was his belief that the 58%/42% has always been the Gilroy/Morgan Hill split but noticed that the percentage has varied a bit from the past. He noted that Mr. Cain is projecting the percentage as being constant.

Mr. Cain indicated that the percentage flow shifts slightly. He felt that the current percentage split is 45-46/54-55. However, this is projected to change. He indicated that the percentage flows are consistent with both general plans.

<u>Action:</u> <u>No Action Taken</u> - Informational Only.

10. <u>CONVERSION OF RESIDENTIAL UNITS FOR COMMERCIAL USES IN THE DOWNTOWN AREA</u>

Director of Business Assistance and Housing Services Toy presented the staff report. He identified the three proposed revisions to the conversion of residential units for commercial uses in the downtown area. He indicated that staff proposes to return with the revisions/amendments to the Council as soon as possible (sometime in September).

Council Member Carr noted that the Council can amend the municipal code to address the first two exemptions on the different fees. However, amendment to the fire code relating to the fire sprinkler requirements would need to be negotiated with the County Fire District and would need to return to the Council at a later date. He said that the Economic Development Subcommittee did not want the first two items to get slowed down with any conversation with the Fire Department relating to fire codes.

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Council Member Sellers noted that a property owner cannot move forward with the conversions without amendment relating to the fire code.

Mayor Pro Tempore Chang inquired whether there would be a limitation on the number of residential units that can be converted to commercial uses in the downtown area without having a massive exodus of residential units

Mr. Toy said that this item addresses primarily a residence converting into a commercial use. He noted that the Skeels building is a mixed use and that staff is not envisioning nor intending the Skeels would be allowed to take their studio units and convert them into office space.

Council Member Carr said that the loss of residential units was an important issue to the Economic Development Subcommittee as it is not interested in loosing residential units. However, in helping to move the goal of the Downtown Plan forward, the Subcommittee is asking whether a residential unit that is converted into a commercial use can be added as an allocation into the Measure P process. The Subcommittee is taking a look at this so that the City can replace the residential unit. The Subcommittee is looking at doing some things, policy-wise, with the possible new allocation. He indicated that staff is investigating these questions for the Subcommittee.

Mayor Pro Tempore Chang felt that item 2 could be used to resolve a concern addressed under public comment earlier this evening.

Mayor Pro Tempore Chang opened the floor to public comment. No comments were offered.

Action:

On a motion by Council Member Tate and seconded by Council Member Carr, the City Council, on a 4-0 vote with Mayor Kennedy absent, <u>Directed</u> Staff to Revise the Municipal Code as Recommended by the Council's Economic Development Subcommittee Regarding the Conversion of Residential Units for Commercial Uses in Downtown.

Action:

On a motion by Council Member Tate and seconded by Council Member Carr, the City Council, on a 4-0 vote with Mayor Kennedy absent, <u>Directed</u> Staff to <u>Bring</u> Such Revisions to the Council for Consideration at their Meeting in September 2003.

Redevelopment Agency and City Council Action

OTHER BUSINESS:

11. AFFORDABLE HOUSING STRATEGY

Director of Business Assistance and Housing Services Toy presented the staff report and recommended that the Council/Agency Board adopt the Affordable Housing Strategy. He indicated that part of the Department's work plan for this year is the development of an implementation work plan for the strategy and bringing that back to the Council/Agency Board by the end of the year.

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Agency/Council Member Carr stated that he was looking forward to seeing the implementation work plan for the Affordable Housing Strategy.

Vice-Chair/Mayor Pro Tempore Chang opened the floor to public comment. No comments were offered.

Action: On a motion by Agency/Council Member Tate and seconded by Agency/Council Member

Sellers, the Agency Board/City Council, on a 4-0 vote with Chairman/Mayor Kennedy

absent, Adopted the Affordable Housing Strategy.

FUTURE COUNCIL-INITIATED AGENDA ITEMS

No items were identified.

ADJOURNMENT

There being no further business, Vice-Chair/Mayor Pro Tempore Chang adjourned the meeting at 8:43 p.m.

IRMA TORREZ, AGENCY SECRETARY/CITY CLERK

MINUTES RECORDED AND PREPARED BY:

Submitted for Approval: September 17, 2003

CITY OF MORGAN HILL JOINT SPECIAL AND REGULAR CITY COUNCIL AND SPECIAL REDEVELOPMENT AGENCY MEETING MINUTES – SEPTEMBER 3, 2003

CALL TO ORDER

Mayor/Chairperson Kennedy called the special meeting to order at 6:03 p.m.

ROLL CALL ATTENDANCE

Present: Council/Agency Members Carr, Chang, Sellers, Tate and Mayor/Agency Chairperson

Kennedy

DECLARATION OF POSTING OF AGENDA

City Clerk/Agency Secretary Torrez certified that the meeting's agenda was duly noticed and posted in accordance with Government Code 54954.2.

City Council and Redevelopment Agency Action

City Attorney/Agency Counsel Leichter announced the following closed session items:

CLOSED SESSIONS:

1.

CONFERENCE WITH LEGAL COUNSEL - ANTICIPATED LITIGATION

Legal Authority: Government Code Sections 54956.9(b) & (c)

Number of Potential Cases: 2

2.

PUBLIC EMPLOYEE PERFORMANCE EVALUATION

Legal Authority: Government Code 54957

Public Employee Performance Evaluation: City Manager

Attendees: City Council, City Manager

3.

CONFERENCE WITH LEGAL COUNSEL - EXISTING LITIGATION

Legal Authority: Government Code section 54956.9(a)
Case Name: Allivato v. City of Morgan Hill et al.
Case Number: Santa Clara County Superior CV 810111

Attendees: City Attorney, City Manager

4.

CONFERENCE WITH REAL PROPERTY NEGOTIATORS

Legal Authority: Government Code 54956.8

Property: 215 Tennant Avenue, APN: 817-04-002

Negotiating Parties:

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For City: City Manager, Director of Public Works, and Attorney Gale Connor

For Property Owners: Robert and Teresita Carrasco and Bruce Tichinin

Closed Session Topic/Under Negotiation: Price and Terms of Payment

5.

CONFERENCE WITH REAL PROPERTY NEGOTIATORS

Legal Authority: Government Code 54956.8

Property: 95 Tennant Avenue, APN: 817-04-008

Negotiating Parties:

For City: City Manager, Director of Public Works, and Attorney Gale Connor

For Property Owners: Marko and Klara Gera
Closed Session Topic/Under Negotiation: Price and Terms of Payment

6.

CONFERENCE WITH REAL PROPERTY NEGOTIATORS

Legal Authority: Government Code 54956.8

Property: 145 Tennant Avenue, APN: 817-04-008

Negotiating Parties:

For City: City Manager, Director of Public Works, and Attorney Gale Connor

For Property Owners: Joseph Hernandez, as trustee; et al Closed Session Topic/Under Negotiation: Price and Terms of Payment

OPPORTUNITY FOR PUBLIC COMMENT

Mayor/Chairperson Kennedy opened the Closed Session items to public comment. No comments were offered.

ADJOURN TO CLOSED SESSION

Mayor/Chairperson Kennedy adjourned the meeting to Closed Session at 6:05 p.m.

RECONVENE

Mayor/Chairperson Kennedy reconvened the meeting at 7:06 p.m.

CLOSED SESSION ANNOUNCEMENT

City Attorney/Agency Counsel Leichter announced that no reportable action was taken in closed session this evening. However, last week (August 27, 2003) in the case of Kennedy vs. Davis, the Council determined not to continue the appeal on this matter. She requested that the City Clerk amend the August 27, 2003 minutes to reflect this announcement.

SILENT INVOCATION

Mayor Kennedy requested that individuals remember a good friend and community leader Henk Marselis, his family and friends in thoughts and prayers.

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PLEDGE OF ALLEGIANCE

At the invitation of Mayor/Chairperson Kennedy, Gloria Pariseau led the Pledge of Allegiance.

PROCLAMATIONS

Mayor Kennedy declared the week of September 17 through 23, 2003 as *Constitution Week*, and presented this proclamation to Marion Smith of the Gavilan Chapter of the Daughters of the American Revolution.

Ms. Smith indicated that this proclamation will be placed in the Gavilan Chapter's library and will be asking the library if they will display the proclamation so that it may be shared with the public. If Gavilan Chapter no longer has a chapter in Gilroy, the proclamation will be sent to the State Daughters of the American Revolution's library.

Mayor Kennedy declared September as *National Alcohol and Drug Addiction Recovery Month* to offer advocates of substance abuse treatment an opportunity to educate the public about the effectiveness of treatment.

PRESENTATION

Carol Holzgrafe reported that the City of Morgan Hill was incorporated on November 6, 1906, noting that November 6, 2006 is coming up. In order to take full advantage of a centennial celebration, the Historical Society suggests that a year long party be planned, kicked of on Founders Day, November 5, 2005. This will give the community more than two years to plan a year long celebration that will make the community proud. She indicated that the Historical Society offers to spear head the celebration, acting as a steering committee. She felt that other organizations in town with historic roots will want to participate as well (e.g., churches, businesses, schools, old time/new families, service organizations, etc.). She stated that the Historical Society would like to return in a few weeks with an agenda item to begin formalizing the Morgan Hill centennial. She invited the entire Council to join the Historical Society as honorary members of the centennial committee.

On behalf of the Historical Society, Gloria Pariseau presented the City of Morgan Hill with a Morgan Hill Rose. It is the Historical Society's hope that the rose will be planted at the new Community and Cultural Center. She informed the Council that a while back, the Historical Society submitted applications for nominating the Morgan Hill Playhouse and the Morgan Hill Grammar School to the Office of Historic Preservation for the Governor's award. She said that the playhouse was given special mention and that the Morgan Hill Grammar School won the award and will be receiving the 2003 Governor's award for Historical Preservation.

CITY COUNCIL REPORT

Council Member Chang reported on the following: 1) Last night, the Day Worker Committee installed four of seven board members. She indicated that a fundraiser New Year's Eve Party is being planned to

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raise enough money for next year's operation. It was her hope that all Council members will be able to participate and help out with the fund raiser event and that the Day Worker Center facility is completed by November 2003. 2) She indicated that SCRWA originally won a lawsuit, looking at various ways to discharge water. However, the Regional Board has appealed. Therefore, the alternatives for water discharge are being discussed and will be rediscussed at the next SCRWA meeting.

COUNCIL SUBCOMMITTEE REPORT

Council Member Sellers stated that next week all Council members will be attending the annual League of California Cities convention in Sacramento. This convention takes added importance this year due to all of the activities taking place at the State level. He stated that cities are considering placing a measure on the November 2004 ballot that would change the relationship between cities and the State. The measure would provide assurances in terms of funding that cities receive annually. He indicated that Mayor Kennedy has been appointed to be the representative to the main general assembly. The City's Legislative Subcommittee met to review the measures that will be reviewed by the League of California Cities' general assembly. One resolution will ratify the League's recent vote to sponsor an initiative to be placed on the November 2004 ballot. He stated that the Legislative Subcommittee recommends that the Council approve this resolution. He said that there are some details about the initiative that the Legislative Subcommittee has questions about in terms of how the League is planning on proceeding. However, the Legislative Subcommittee supports the ideas as it would provide an opportunity to constitutionally mandate that the annual revenue funds that the City receives are stabilized in order to provide basic services to the community.

Council Member Tate said that the Library Subcommittee is in the process of getting ready for the State's award of the second round of Proposition 14 funding for new libraries. He requested that citizens help convince the State Board making the decisions that the City has an outstanding application by writing letters to State Board members. He indicated that the selection meeting for the second round of Proposition 14 funding will be taking place at the end of October. This gives the City a little extra time to get the letters sent to the Board.

Mayor Kennedy reported on the Urban Limit Line/Greenbelt Committee. He indicated that the committee has held several meetings. He indicated that a special workshop will be held on Saturday, September 13 from 8:30 a.m. to 12:30 p.m. in the Villas Conference Room. He invited those interested in the establishment of a greenbelt/urban limit line around the City to attend the meeting. An important issue to be discussed at this meeting is what to do with the southeastern portion of the City near Tennant and Murphy Avenues. Does the community want to keep this area as an agricultural buffer or proceed with an ultimate plan to use this area as an industrial park? There is another proposal for Edmundson near DeWitt Avenue with respect to the establishment of a greenbelt and urban limit line around the city. He indicated that in the late 1980's the city passed an advisory measure that determined that the majority of the residents of Morgan Hill would like to see a greenbelt around the city. This has been a policy statement contained in the City's General Plan and that the City is now moving forward to making this a reality. He indicated that this will be a controversial issue but that it is an important issue for the ultimate future of the community. He announced that the City will be sending a delegation to establish a second Sister City with San Martin di Hidalgo, Mexico. He stated that he and Mayor Pro Tempore

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Chang will be traveling to Mexico with the City's Sister City Committee to formalize the sister city relationship at their own expense. He felt that it was important to the cultural development of the community to build bridges with communities with common interests. He indicated that the City's First City relationship is with San Casiano, Italy. He noted that there is a strong Latino/Mexican-American community in Morgan Hill. Therefore, it is important for the City to establish a relationship with a City in Mexico as well. He stated that the Sister City Delegation will be leaving on September 14 and will be in San Martin di Hidalgo for their Independence Day celebration on September 15 and 16. He indicated that neither he nor Mayor Pro Tempore Chang will be in attendance at the September 17 City Council meeting.

CITY MANAGER REPORT

City Manager Tewes invited the community to a fun/free event on Saturday, September 6 – "Movie Night Under the Stars" to be held at the Community and Cultural Center's amphitheater. He was pleased that the Chamber of Commerce has taken on the responsibility of carrying on a project started by last year's Leadership Morgan Hill class. There will be activities taking place beginning at 4:00 p.m. with the movie to be shown at dusk.

Council Member Tate indicated that on Sunday, September 7, the Morgan Hill Community Foundation will be sponsoring a Hawaiian Luau at the San Martin Pumpkin Patch. He stated that on September 11, the annual Remembrance Celebration will be held at the Community and Cultural Center at noon. Also, that evening, a two hour program on "What Freedom Means to You" will take place at the Community and Cultural Center's El Toro Room, sponsored by the Morgan Hill Library, Silicon Valley Library system, the City of Morgan Hill, San Jose Mercury News, the American Leadership Forum and the Community Foundation of Silicon Valley. This program will take place from 7-9 p.m.

CITY ATTORNEY REPORT

City Attorney Leichter stated that she did not have a City Attorney's report to present this evening.

PUBLIC COMMENT

John Rick, on behalf of the Morgan Hill Aquatics Foundation, stated his appreciation to the City Council, City Manager and staff for allowing them to hold the Cool Pools Festival on August 23 at the Community and Cultural Center's amphitheater. He was pleased to report that the Foundation netted over \$40,000. He was confident that the Foundation can build critical mass for this event and increase attendance and turn it into a very profitable endeavor for the aquatics center in future years. The Foundation remains confident that it will have \$100,000 or more in the bank by the time that the revenue curve for the aquatics center starts flattening out next September.

City Council Action

CONSENT CALENDAR:

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Mayor Kennedy indicated that he would remove Item 1 from the Consent Calendar as a citizen was in attendance to address that item.

Action: On a motion by Council Member Tate and seconded by Council Member Sellers, the City Council unanimously (5-0) Approved Consent Calendar Items 2-12, as follows:

- 2. <u>PERFORMANCE AUDIT CONTRACT FOR SOUTH VALLEY DISPOSAL</u>

 <u>Action: Authorized</u> the City Manager to Execute an Agreement with Environmental Planning Consultants in the Amount of \$37,400.
- 3. <u>CANCELLATION OF AGRICULTURAL PRESERVE AND LAND CONSERVATION CONTRACTS</u>

 Action: Adopted Resolution No. 5716, Cancelling Land Conservation Contract.
- 4. <u>AMENDMENT OF AGRICULTURAL PRESERVE AND LAND CONSERVATION</u>
 <u>CONTRACTS</u>

 Action: Adopted Resolution No. 5717, Amending Agricultural Preserve Resolution No. 1258.
- 5. <u>ACCEPTANCE OF SUBDIVISION IMPROVEMENTS FOR TRACT 9383, STERLING ESTATES</u>

<u>Action:</u> 1) <u>Adopted</u> Resolution No. 5718, Accepting Subdivision Improvements Included in Tract 9383, Commonly Known as Sterling Estates; and 2) <u>Directed</u> the City Clerk to File a Notice of Completion with the County Recorder's Office.

6. REIMBURSEMENT FOR UNDERGROUNDING OF OVERHEAD UTILITIES BY LIVE WIRE, L.L.C. (HARLEY DAVIDSON)

<u>Action:</u> <u>Authorized</u> Reimbursement of \$53,185 for Undergrounding of Overhead Utilities by Live Wire, L.L.C.

7. ADOPT ORDINANCE NO. 1628, NEW SERIES

<u>Action: Waived</u> the Reading, and <u>Adopted</u> Ordinance No. 1628, New Series, and <u>Declared</u> That Said Title, Which Appears on the Public Agenda, Shall be Determined to Have Been Read by title and Further Reading Waived; Title as Follows: AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL APPROVING DEVELOPMENT AGREEMENT, DA-03-03: HALE-GARCIA (APN 764-09-27 and 764-09-026).

8. ADOPT ORDINANCE NO. 1629, NEW SERIES

<u>Action: Waived</u> the Reading, and <u>Adopted</u> Ordinance No. 1629, New Series, and <u>Declared</u> That Said Title, Which Appears on the Public Agenda, Shall be Determined to Have Been Read by title and Further Reading Waived; Title as Follows: AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL ENACTING CHAPTER 8.80 (Disking Restrictions) OF TITLE 8 (HEALTH AND SAFETY) OF THE MUNICIPAL CODE OF THE CITY OF MORGAN HILL REGARDING RESTRICTIONS ON DISKING VACANT LAND.

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9. ADOPT ORDINANCE NO. 1630, NEW SERIES

<u>Action: Waived</u> the Reading, and <u>Adopted</u> Ordinance No. 1630, New Series, and <u>Declared</u> That Said Title, Which Appears on the Public Agenda, Shall be Determined to Have Been Read by title and Further Reading Waived; Title as Follows: AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL AMENDING SECTIONS 18.30.010, 18.30.020, 18.30.050, AND 18.30.110 OF CHAPTER 18.30 (PUD PLANNED UNIT DEVELOPMENT DISTRICT) OF TITLE 18 (ZONING) OF THE MUNICIPAL CODE OF THE CITY OF MORGAN HILL REGARDING AMENDMENT FOR CONSISTENCY WITH MOBILE HOME CONVERSION ORDINANCE.

10. ADOPT ORDINANCE NO. 1631, NEW SERIES

<u>Action: Waived</u> the Reading, and <u>Adopted</u> Ordinance No. 1631, New Series, and <u>Declared</u> That Said Title, Which Appears on the Public Agenda, Shall be Determined to Have Been Read by title and Further Reading Waived; Title as Follows: AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL ADOPTING CHAPTER 17.38 (MOBILE HOME PARK CONVERSIONS TO RESIDENT OWNERSHIP OR TO ANY OTHER USE) OF TITLE 17 (SUBDIVISIONS) OF THE MORGAN HILL MUNICIPAL CODE.

11. <u>APPROVED SPECIAL AND REGULAR CITY COUNCIL AND SPECIAL REDEVELOPMENT AGENCY MEETING MINUTES FOR AUGUST 20, 2003</u>

12. <u>AUTHORIZE REIMBURSEMENT/CREDIT OF TRAFFIC IMPACT FEES TO SOUTH VALLEY DEVELOPERS, INC. – MONTEREY ROAD APN 764-10-004</u>

<u>Action:</u> 1) <u>Approved</u> an Appropriation of \$210,723 from the Current Year Unappropriated Traffic Impact Fee Fund and 2) <u>Authorized</u> Reimbursement of These Funds to South Valley Developer, Inc.

1. <u>HIGH SPEED RAIL ROUTE</u> – *Resolution No. 5715*

City Manager Tewes presented the staff report and indicated that the recommendation is that the Council oppose an alternative route through Henry Coe State Park for high speed rail.

Dennis Pinion stated that he has heard two explanations why a route is being proposed through Henry Coe State Park: 1) The High Speed Rail Committee's computer software was unaware that the Park was located at this location; and 2) a rail through Henry Coe State Park would be several million dollars cheaper to put the high speed rail through the park because the park is empty space. He pointed out that this is a multi billion dollar project. He felt that keeping wilderness areas as wilderness is worth something to citizens. He requested that the Council support the resolution. He indicated that he does not oppose high speed rail but when you take public lands and set them aside for permanent wilderness space, it should remain as permanent wilderness space.

Council Member Carr stated his support of high speed rail and the bonds that will be placed on the ballot. However, he does not agree with a route that would come through a treasured wilderness area.

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Whatever savings may result would be lost forever in the damage that would be done to Henry Coe State Park. He felt that there were other alternative routes that can be used that would make a lot more sense for routing. He requested that the Council support the resolution in letting the High Speed Rail Authority know that as the closest neighbor to the area, the City is opposed to High Speed Rail going through this Park.

Action: On a motion by Council Member Tate and seconded by Council Member Sellers, the City

Council <u>Adopted</u> Resolution No. 5715

City Council Action

PUBLIC HEARINGS:

13. <u>DEVELOPMENT AGREEMENT AMENDMENTS, DAA 99-04/DAA 00-07/DAA 01-01:</u>
<u>EAST DUNNE-PACIFIC UNION HOMES (TROVARE/MORGAN MEADOWS)</u> – *Ordinances Nos. 1632, 1633 and 1634*

Mayor Pro Tempore Chang stated that she would be recusing herself from this item due to a conflict of interest and excused herself from the Council Chambers.

Director of Community Development Bischoff presented the staff report.

Council Member Sellers noted that staff indicated that the School District did not agree that a light was needed at Live Oak High School. He inquired whether this was a conversation between the City and the School District prior to the change in the Measure P commitment requirement? He inquired as to the degree the City is interacting with the School District at the front end of discussions so that Measure P commitments are helpful.

Mr. Bischoff indicated that it is the Measure P applicant that identifies the commitments that they would like to include as part of their Measure P proposal. The commitments are reviewed and scored by the School District. At the time the project as recommended for award of points by the School District, he was not aware whether the School District indicated that they were interested in these improvements.

Council Member Sellers recommended that there be better coordination of commitments at the front end of Measure P versus reviewing what other Measure P commitments have been made by others.

Mayor Kennedy felt that the flashing light in front of the Nordstrom School was an important issue.

Council Member Tate expressed concern with the Hung property and the fact that it would remain an island because they refuse to cooperate with the City. It was his belief that the Grewal property located to the west of this project would be widening Dunne Avenue. He said that Dunne Avenue would not be completed because the Hungs are not willing to allow widening improvements to be installed. He inquired why the Grewal project was not conditioned to widen Dunne Avenue.

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Mr. Bischoff indicated that if a property owner is not willing to grant the City the right of way for Dunne Avenue widening, there is nothing the City can do short of condemnation/use of eminent domain. He felt that at some point in time, there will be a higher and better use for the Hung property and that they would be interested in selling the property. He indicated that the Grewal project was conditioned to widen Dunne Avenue. He noted that the Grewal project has been subject to a number of extensions of time and that there is some question as to whether or not the project would be built. If the project proceeds, it is his understanding that the City would condition the Grewal project to provide some other alternative improvement or the Hung's may cooperate with widening of Dunne Avenue.

Mayor Kennedy opened the public hearing.

Chris Taylor, Pacific Union Homes, stated that he would agree to install certain improvements within the Nordstrom School parking lot (e.g., bus turnout or provide stacking for eight vehicles). He indicated that this has been a difficult project for Union Pacific Homes, purchasing the property at the top of the market. He requested that the Council recognize that Union Pacific Homes has made the project work and tried to deliver on the product promised at the beginning. He indicated that along the way, Union Pacific Homes has had to incur a number of issues where it had to be flexible in re-designing certain improvements, having a great working relationship with staff to do so. He indicated that Union Pacific Homes is almost completed with these projects, subject to the Council's approval on the two other amendments to the development agreement. He indicated that the crews are ready to install the improvements and that project development is far along. In the Development Agreement, it specifies that the School District is to install the improvements or that he can work with the School District to design an alternative or pay a monetary fee. The School District indicated that they did not want the improvements and came to an agreement that would allow the project to pay \$66,000 that they believe the improvements are worth. This would relinquish the need to design alternative improvements. He noted that a letter has been included in the Council's packet from the School District that outlines the payment of a fee. He said that the project would be facing a hardship should it be required to come up with a new project at this stage. He clarified that Union Pacific Homes would like to pay collectively a total of \$66,000 in lieu of building an alternative to the bus turn out for up to 3 buses or eight cars for safety improvements at the Nordstrom School. He said that an issue that was raised at the Planning Commission meeting was that the money would be going directly into the School District's coffers. He said that Union Pacific Homes would agree to place these fees into any fund/joint fund and have another developer make the improvements when they are ready to proceed with development. He said that he would prefer to pay the in lieu fees versus completing the improvements. It was his belief that staff was recommending that an alternative be pursued that is yet to be identified, making this an open ended issue.

No further comments being offered, the public hearing was closed.

Mr. Bischoff said that this is an issue of whether there are improvements to be made or funds to be paid and to whom. He referred to page 121 of the agenda packet, subparagraph (ii), last sentence which states that "Project alternative an estimate amount subject to the approval of the Director of Public Works." He felt that the language was sufficiently vague that it would not necessarily require that the improvements be identified and installed prior to the completion of the subdivision. He said that this

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language could be modified to ensure that there is adequate flexibility such that this project could be completed and the public improvements that would benefit the School District could be built at a later date.

Mayor Kennedy indicated that what the applicant is proposing is similar to a deferred improvement agreement. He inquired whether an account has been established where funds could be deposited to do what is being suggested by Mr. Taylor.

Mr. Bischoff indicated that a payment of a fee could be made to the City for improvements to be jointly developed between the School District and the City sometime in the future.

Mayor Kennedy stated that he would support such a modification.

Council Member Sellers felt that it would be an undue burden to place on a developer to have them wait for the City to come up with an alternative. He said that it would make sense to have funds placed in a specific account and not merely placing them in a School District account (place funds into an account for a specific project for a specific purpose, informing the School District that they get to determine how these funds are to be used). He felt that doing so would benefit everyone and allow the developer to complete this project.

Council Member Carr stated his concurrence with staff's recommended language. However, he expressed concern with the letter dated January 22, 2003 from Bonnie Branco, Deputy Superintendent, who states that the School District has already developed steps to mitigate the parking issue at Nordstrom School

Mr. Bischoff indicated that the funds would be used to install other improvements as determined by the School District at some point in the future. He said that the City would need to sit down with the School District to determine what improvements would entitle the project to the same number of points under the same category. He suggested that the Council amend page 121, subparagraph (ii) to include the following: "...Project approval, including in lieu payments..." In response to Council Member Tate's question he said that the in lieu payment is defined in Ms. Branco's letter and that it was his belief that the sum total would equate to approximately \$66,000.

City Manager Tewes said that this amendment could be discussed at the City-School Liaison Committee meeting.

Action: On a motion by Council Member Sellers and seconded by Council Member Tate, the City Council, on a 4-0 vote with Mayor Pro Tempore Chang absent, Waived the Reading in Full of Ordinance No.1632, New Series, Development Agreement DA 99-04.

Action: On a motion by Council Member Sellers and seconded by Council Member Tate, the City Council <u>Introduced</u> Ordinance No.1632, New Series, Amending Development Agreement DA 99-04 by Title Only, as follows: AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL APPROVING AN AMENDMENT TO ORDINANCE

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NO. 1472, NEW SERIES, TO AMEND DEVELOPMENT AGREEMENT DA 99-04 TO ALLOW AMENDMENT TO THE SCHOOLS CATEGORY COMMITMENT FOR MEASURE P PROJECT MP-98-24: E. DUNNE-O'CONNELL, by the following roll call vote: AYES: Carr, Kennedy, Sellers, Tate; NOES: None; ABSTAIN: None; ABSENT: Chang.

Action:

On a motion by Council Member Sellers and seconded by Council Member Tate, the City Council, on a 4-0 vote with Mayor Pro Tempore Chang absent, <u>Waived</u> the Reading in Full of Ordinance No. 1633, New Series, Development Agreement DA 00-07.

Action:

On a motion by Council Member Sellers and seconded by Council Member Tate, the City Council <u>Introduced</u> Ordinance No.1633, New Series, Amending Development Agreement DA 00-07 by Title Only, as follows: AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL APPROVING AN AMENDMENT TO ORDINANCE NO. 1503, NEW SERIES, TO AMEND DEVELOPMENT AGREEMENT DA 00-07 TO ALLOW FOR FLEXIBILITY IN THE CIRCULATION AND SCHOOL CATEGORY COMMITMENTS FOR MEASURE P PROJECT MP-99-16: E. DUNNE-TROVARE, Amending Section 7, paragraph 14, section (j), subsection (ii) to include the following sentence: "Should the Nordstrom School improvements not be installed and agreement not be reached regarding an equivalent alternative by completion of the subdivision which is subject to this development agreement, an in lieu fee shall be paid to the City and held until such time as the alternative improvement(s) is identified and installed" by the following roll call vote: AYES: Carr, Kennedy, Sellers, Tate; NOES: None; ABSTAIN: None; ABSENT: Chang.

Action:

On a motion by Council Member Sellers and seconded by Council Member Tate, the City Council, on a 4-0 vote with Mayor Pro Tempore Chang absent, <u>Waived</u> the Reading in Full of Ordinance No. 1634, New Series, Development Agreement DA 01-01.

Action:

On a motion by Council Member Sellers and seconded by Council Member Tate, the City Council <u>Introduced</u> Ordinance No. 1634, New Series, Amending Development Agreement DA 01-01 by Title Only, as follows: AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL APPROVING AN AMENDMENT TO ORDINANCE NO. 1511, NEW SERIES, TO AMEND DEVELOPMENT AGREEMENT DA 01-01 TO ALLOW FOR FLEXIBILITY IN THE SCHOOLS AND CIRCULATION CATEGORY COMMITMENTS FOR MEASURE P PROJECT MP 00-29: E. DUNNE-TROVARE, Amending Section 9, Paragraph 14, section (n), subsection (v) to include the following sentence: "Should the Nordstrom School improvements not be installed and agreement not be reached regarding an equivalent alternative by completion of the subdivision which is subject to this development agreement, an in lieu fee shall be paid to the City and held until such time as the alternative improvement(s) is identified and installed" by the following roll call vote: AYES: Carr, Kennedy, Sellers, Tate; NOES: None; ABSTAIN: None; ABSENT: Chang.

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Mayor Pro Tempore Chang resumed her seat on the dias.

City Council Action

OTHER BUSINESS:

14. <u>HEARING FOR EXEMPTION TO UNDERGROUNDING UTILITIES – 17500 DEPOT STREET</u>

Director of Public Works Ashcraft presented the staff report.

Mayor Kennedy opened the floor to public comment. No comments were offered.

Action:

On a motion by Council Member Sellers and seconded by Council Member Carr, the City Council unanimously (5-0) <u>Granted</u> Exemption to the Requirement to Underground Utilities with Payment of in Lieu Fees for the Proposed Development at 17500 Depot Street.

15. <u>YMCA CONTRACT FOR PROGRAMMING AT THE INDOOR RECREATION</u> CENTER

City Manager Tewes indicated that staff and a subcommittee of the City Council are recommending an important policy decision for Council consideration; one in a series of decisions the Council has made and is by no means the end of important policy decisions it has to make in order to bring the Indoor Recreation Center (IRC) to reality. In May 2002, the Council decided that the City would be responsible for operating the IRC, including its programming. The Council also directed staff to work with the YMCA to find a way by which they can become involved in the IRC in a way that would be meaningful to the City's programming, allowing them to remain viable in South County. The subcommittee has been discussing with the YMCA various ways to accomplish this the past year. recommended that the City move toward the next step to develop a contract with the YMCA to provide staffing services at the IRC. The YMCA would be providing the individuals/staff that would provide the services to deliver aquatics, fitness and aerobics programs at the IRC. The types, schedules and prices for classes are to be determined by the City. The staffing for this proposal would be provided under contract with the YMCA. He said that there are many other policy decisions to be made by the Council such as how big the physical spaces should be and what should be included in the spaces. Recently, the Council decided that the City could not afford all of the space originally contemplated and reduced the size of the building. The Council directed staff to contract with a consultant to help the City evaluate the revenue potential of the smaller facility with a proposed mix of services. He indicated that in May 2002, the facility being discussed at that time gave the City a fighting chance to break even with no guarantee that through a series of passes and user charges it would be able to generate enough revenue to cover all of the City's operating costs but that staff felt that it had a fighting chance to do so. On this basis, the Council engaged on a debate on who ought to control the facility: the City or the YMCA. The Council concluded that the City should control the facility. He felt that the City still has a fighting chance to break even. However, he acknowledged that should the City contract with the

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YMCA, it is likely that the cost to operate the aquatics, fitness and aerobics would be more than if they were provided by city staff alone. He noted that this is a contract to provide for the direct cost of the YMCA plus a portion of their administrative costs. Therefore, overhead helps explain why the YMCA's costs may be slightly more than if the City operated the IRC. Also, the YMCA is willing to talk to the City about a commitment that would allow them to operate these services in a manner consistent with their facility for delivery of such services. He said that this may lead to different levels of staffing than if the City alone was to provide these services (e.g., direct versus indirect supervision for the open and free use of the fitness room for 12 hours a day).

City Manager Tewes stated that the IRC subcommittee believes that there are benefits to this approach and that it is being recommended that the approach of contracting with the YMCA for services and staffing meets the two objectives established by the Council in May 2002, giving the City a fighting chance to break even while acknowledging that in order to keep the YMCA involved and viable, there may be some marginal increased costs in going with the YCMA versus using City staff. He indicated that the Recreation and Community Services Manager Spier and Assistant to the City Manager Dile were present to answer any specific questions and that additional information is available that may answer questions as they arise.

Council Member Carr indicated that he serves on the IRC Subcommittee and that the Subcommittee has worked on the process for over a year to get to a point where it is recommending a policy decision to the City Council. He clarified that the subcommittee is not recommending the details of negotiations or a contract. The details/contract would return to the Council after additional work is completed. He indicated that the subcommittee is recommending a policy decision at a certain level that suggests that the subcommittee can move forward with contract negotiations, returning with the specifics of the contract with an understanding of the dollar ramifications a little more, along with other implications. He stated his support of the recommendation.

Mayor Kennedy said that the Council made a decision to have City recreation staff control the operation of the IRC. However, there was a general consensus of the Council that it wanted to find a role for the YMCA so that they would be able to continue their operation in Morgan Hill. He felt that this is what this proposal does. He said that it was important to note that the numbers being presented this evening are estimates and not the final numbers. He said that the final numbers will be subject to negotiations with the YMCA. He noted that the recommended action was to authorize City staff to negotiate an agreement with the YMCA.

Council Member Tate noted that City Manager Tewes alluded to the fact that the YMCA has come a long way from the model of membership. However, he does not have information on the model being proposed by the YMCA or what the relationship would be. He noted that Council Member Carr alluded to the fact that the Council agreed that City staff would have control over the operation. He did not see how this would work if the YMCA is controlling the programs. He requested more details on the proposal of how this interaction will work.

City Manager Tewes distributed a summary to address some of the questions raised by Council Member Tate. He said that it was important to point out that under the proposal, the YMCA would not control

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the programs. He clarified that City staff would be responsible for programming all spaces, scheduling all spaces, and establishing the prices and reservation policies for all of the spaces. The YMCA would staff the aerobics, fitness and pool classes by contract. City employees would be responsible for staffing the youth/senior center, the gymnasium and the balance of the spaces. The City would have site administration responsibilities for all of the spaces and for maintaining all of the spaces. By contract, the City will be negotiating the staffing levels for these programs.

Assistant to the City Manager Dile said that the numbers used for the City's operational costs and for the cost of running the facility were based on the Sports Management Group analysis performed for the City in January 2002. One thing noted in staff report and through some of the supporting materials is that staff recognizes that this analysis is in the process of being refined. She pointed out that the assumptions being made are from the best information staff has at this time and that they are subject to change. Staff presented three different ways of operating the IRC. In all cases, the City would control all aspects of programming. However, staff would like to talk with the YMCA to see if they have alternatives to the Sports Management Group recommendation. A question to be answered is whether revenues can be boosted if the City was to look at changes to what the Sports Management Group had recommended. She indicated that the subcommittee looked at two areas: 1) whether or not the City would include group classes within the facility; and 2) changes to the price of the group swim lessons. She indicated that it has been the YMCA's experience that they are able to charge far more than municipal programs typically do. It is felt that there may be some tolerance for a higher level of cost if the community found that the YMCA is offering the classes. This scenario would increase the revenue and narrow the gap between the YMCA's operating costs and the City's operating costs. Another alternative reviewed was changing the mix of programming at the pool. In a third alternative, the subcommittee looked at still having a substantial amount of recreational time and group swim classes at the pool, increasing the number of lessons year round to boost the revenue that would be coming into the center. She stated that staff has done the best that it could with the limited information available. Critical to this was the fact that the IRC facility was supposed to have been built prior to the aquatics complex opening. Therefore, the shift in timing may be shifting what is an already established program at the aquatics complex by the time the IRC is built. She indicated that it was her understanding that the Sports Management Group's current assignment at the aquatics complex is to come up with more details on what the pricing and classes should be at the aquatics center. She said that many decisions at the aquatics center have yet to be made and will have an impact on the revenue to be generated at the IRC. She said that the subcommittee has done the best that it could with limited options at this point.

City Manager Tewes said that the Subcommittee is not recommending that the Council decide on any of the scenarios as described by Ms. Dile. He stated that there are many important public policy decisions to be made by the Council such as the price to participate in the various classes to be offered at the IRC. A question to be answered is the City's philosophy about open swim versus scheduled classes at the indoor pool. He said that these are decisions yet to be made. He said that there may be a variety of options that could be accommodated. Staff recognizes that the City is at the stage of the physical design of the building and that the YMCA would like to have some input into the design process. If the City is to contract with the YMCA, staff would recommend that the YMCA identify an individual who would participate in the design aspect.

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Mayor Kennedy opened the floor to public comment. No comments were offered.

Council Member Sellers said that the Council could theoretically decide to delay this decision if the majority of the Council felt that it was warranted. He requested, as the co-chair of the IRC with Mayor Pro Tempore Chang, that the Council include the YMCA in subsequent meetings as their input would be valuable in the process, should the Council wish to pursue a contract with the YMCA.

Council Member Tate said that he has a problem approving an action that is predicated on the best knowledge that the City has right now that it will be losing money on operations and maintenance. It was his feeling that there is a Council commitment to look at operations and maintenance of all public projects and find a way to make them work. He understands that the Council has committed some general fund monies to the Community and Cultural Center. He felt that every project beyond that project needs to be made self sufficient. He stated that he could not approve an action that goes in a direction that leaves the City loosing money and not balancing operations and maintenance of a project. He stated his support of having the YMCA involved with the IRC. However, he is being told that if the City runs the IRC, it can be a positive project that can pencil out. Should the YMCA staff the classes, the City will lose \$20,000. He acknowledged that there may be some factors that may change this. He wanted to receive this information before finalizing his decision as he could not support an action where the City is going to lose money. He would support having a YMCA representative looking at the design but that he could not state that he would support a situation where the City cannot balance operations and maintenance on this project, nor using monies from the general fund to offset the deficit. He did not want to close the door on the YMCA as he does support them. However, he wants to receive an update from the Sports Management Group and review options.

Council Member Carr did not see a problem in delaying a decision this evening if the Council agrees to move forward with asking the YMCA to identify an individual to join the design team because the knowledge base is important at this time. He said that additional information is available and forth coming. He stated that he would support waiting for the additional information. It was his hope that the Council was not suggesting that the design of the IRC be delayed as the City is embarking on a stage where it will be spending a significant amount of money on the design of the center.

Mayor Pro Tempore Chang inquired whether the scope of the design would change and whether additional office space would be needed to incorporate YMCA staff at the IRC.

Mayor Kennedy said that the scenario presented in the staff report indicates that approximately a \$20,000 subsidy would be required to incorporate YMCA staffing. He said that there are some preliminary recommendations that the YMCA made under which the net subsidy would drop to approximately \$7,600. Another scenario shows that there would be a net profit of approximately \$20,000 by adding additional swim classes, etc. He said that these are all preliminary numbers. He felt that by working with the YMCA and including their features in the facility may result in no City subsidy.

Mayor Pro Tempore Chang said that the scenario that shows a positive \$20,000 would cut into the summer operation of the aquatics center and may take customers away from that center.

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Mayor Kennedy felt that there would be different groups using the indoor facility versus an outdoor facility.

City Manager Tewes said that he wanted to make clear that it would be City staff, with the guidance of the City Council, who would make the decision about the level of programming and the potential competition. Once a decision has been made, there is a question as to who will staff the indoor aquatics center classes, city employees or YMCA employees.

Council Member Sellers felt that there was a clear distinct objective for this facility as opposed to the outdoor aquatics facility. He stated that having spent the time going through the material presented and having visited a few facilities, he understands the interrelationship between the facilities. He felt that the Council and the community have to be clear that the two facilities would be complimentory to each other. He agreed that operations and maintenance is paramount but that the Council cannot just look at the bottom line when it proceeds with this project. The Council has to consider that it is trying to provide services to the community that its tax dollars are going toward in the most cost effective way. He felt that the Council needs to provide the services that are wanted and needed in the community and then figure the best way to provide these services. He felt that the YMCA can provide the City with an opportunity of a higher level of service in terms of staffing and expertise, and that this would be a reasonable trade off. He stated that when he read the staff report, he interpreted it as being an agreement to proceed with negotiations with the YMCA. If the action is merely to agree to negotiate with the YMCA, he would be comfortable with proceeding with this action. He stated that he would be comfortable proceeding with the recommended action before the Council but that he would agree to continue this item to review it in more detail as long as it does not delay the appointment of a YMCA member to the IRC Subcommittee so that that the project can continue to remain on track.

City Manager Tewes noted that the City does not have the full business terms of a contract. He said that in the course of a year long discussion, staff and the YMCA discussed various subjects. He said that staff has not drafted a contract and has not gone back and forth about the language in the contract. He stated that it would be consistent and in good faith to try to negotiate the terms. He said that he could not sign a contract until he brings it back for Council approval.

Mayor Pro Tempore Chang felt that the City could break even by changing the mode of operation. Instead of providing swimming classes only on Saturdays, swim classes could be offered everyday in order to make money. She suggested that a mode be negotiated where there is at least a break even situation.

Mayor Kennedy said that although it would be an excellent goal to break even, he felt that the Council's number one responsibility is to provide recreational programs to the community. He noted that the City has gone for many years without providing these services to the community and that it was time that the Council provides recreational services to the community. He felt that the City's budget projections provides some funding for this purpose. He did not believe that it was critical that the City break even on every project at the expense of providing services to the community.

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City Manager Tewes clarified that staff would negotiate a contract with the YMCA to provide the staffing services to deliver the program that the City Council wants.

Mayor Kennedy felt that the City has the flexibility within the agreement to operate in such a way that the City does not lose money or make more money. He felt that that the Council has the capability of making these decisions further down the line.

Council Member Tate stated that the City could spend a little more money to be able to provide recreational services. However, the money spent would be taken away directly from safety services when the City is in a financial bind. He stated that he could not support this. He noted that the best information the Council has is that the City will lose money on the IRC. In order for him to be comfortable in supporting the action, he has to be a lot more familiar with the options and understand how this whole thing would come together. He stated that he was not comfortable with the information presented thus far. He noted that the \$20,000 subsidy was an estimate and that this amount could be more.

Council Member Carr said that deferring the decision would not affect the IRC schedule. He expressed concern with the discussion taking place about the operations and maintenance costs. He said that the Council needs to decide how each of the centers will break even. He did not believe that the break even scenario should be on the backs of the users or the individuals buying passes. He felt that there can be room within the general fund. He did not believe that the funds have to come from public safety. He said that taking funds from the general fund and from other services would be a policy question that the Council would need to spend time on. He noted that City is spending money now in designing a facility. He did not believe that he was hearing a suggestion that the Council wait for the studies from the Sports Management Group before moving forward with anything associated with the IRC as this would be a concern to him. He felt that the schedule needs to keep moving forward and that he too would be interested to see what the Sports Management Group would come back with based on the new design of the smaller center and the comments made two weeks ago. He did not believe that their information was so important to halt the timeline of the IRC as this would affect the entire project.

Mayor Pro Tempore Chang inquired what guidelines the Council would like to give the IRC subcommittee (e.g., should additional office space be added to house YMCA staff?).

Council Member Carr indicated that adding administrative offices for YMCA staff at the IRC was not part of the matrix before the Council.

City Manager Tewes stated that the City would not need to change the office alignment as an office would be required by either a City aquatics director or YMCA aquatics director. The same would apply to YMCA or City life guards/staff as they will need a place to assemble. He said that the City is not providing general administrative office space to the YMCA at this facility. The individuals who will be providing services would be housed at this facility.

Mayor Kennedy stated that it would be his recommendation to the design review committee, consisting of Council Member Sellers and Mayor Pro Tempore Chang, that the City gets a YMCA person on board

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and listen to what they have to say. The committee could ask the YMCA representative what their recommendations would be with respect to space allocations for swimming versus the programs. He recommended that the City take advantage of the expertise of the YMCA. He recommended that the City try to incorporate the YMCA's recommendations so that the City protects the options to maximize the benefits.

Council Member Sellers said that the Council needs to keep in mind the amount of work that has taken place to date. Being discussed are very small refinements. He noted that the City has been going through this process for several years. The Council has visited sites in the area and in other parts of the Country with the Sports Management Group, noting that the City has worked with the Sports Management Group for several years getting to this point. He said that there are still policy decisions to be made, but that they are getting smaller in number as the Council proceeds. He felt that there was significant room to continue to make the IRC better but that there will not be wholesale changes. He felt that the Sports Management Group would continue to provide input to the IRC and the YMCA representative will be able to do so along with the other individuals in the IRC committee. He recommended that the City continue to work toward making this the most cost effective facility. He would support holding off on a decision on this item if that is the consensus of the Council.

Mayor Kennedy did not see a benefit to delaying the decision. He did not see that the questions would be any different a month or two from now. He said that information will be flowing in as the City goes through the process. He felt that these efforts can happen concurrently if the Council authorizes the action to proceed this evening.

Council Member Sellers noted that all the information being reviewed will be pertinent when the Council gets to the final decision making point, the contract for staffing with the YMCA.

Recreation and Community Services Manager Spier said that the Sports Management Group is ready to proceed with its analysis but that they are waiting for the final conceptual design that is currently being worked on by Assistant Public Works Director Struve. She said that one of the components is taking out the climbing wall and that the Sports Management Group is looking at this cost factor. She said that the Sports Management Group is just beginning the new comparison of the square footage. It was her belief that their analysis would be completed in approximately two months. She said that the City would be moving forward with the next step in the design process before receiving the information from the Sports Management Group.

Action: Council Member Sellers made a motion, seconded by Council Member Carr, to <u>Direct</u>
Staff to Negotiate a Contract with the Mt. Madonna YMCA for the Provision of Aerobics,
Aquatics and Fitness Programs at the Indoor Recreation Center.

Action: Council Member Sellers made a motion, seconded by Council Member Carr, to <u>Invite</u> the YMCA to Identify a Staff Person to be involved in the Indoor Recreation Center Design Process.

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Mayor Pro Tempore Chang said that she would not like to see this project become a negative cash flow project. She stated that she would support the motion if the desired result is that the project ends up being a balanced project. If this is not the case, she would not be able to support the motion. She requested that the motion be amended to state that it is the intent that this project will result in a break even project.

Council Member Sellers said that working out the negotiations on the staffing levels with the YMCA would not have an impact on the motion. He noted that the Council still has a final decision to make on the bottom line.

Mayor Kennedy said that this vote is not the final action. The action is to negotiate an agreement, noting that the negotiated agreement would need to return to the Council for approval.

Mayor Pro Tempore Chang said that she is recommending that it be stated that the motion would stipulate that there is to be a break even intention and that it does not necessarily have to state that the end result has to be a break even scenario.

Mayor Kennedy said that the question of negotiating an agreement on the cost and the number of staff is a separate issue from operating the facility at a break even scenario.

Council Member Carr stated that he would not support an amendment to the motion. He felt that staff would be negotiating in the best interest of the City. He said that he is always concerned when the Council sets parameters too tight, tying the hand of staff when they are asked to negotiate. He has faith that City staff would negotiate fairly and in the best interest of the citizens and tax payers. He felt that the Council was simply making a policy decision this evening about whether City staff can engage the YMCA in contract negotiations. He said that the Council will need to make significant policy decisions on the different staffing levels whether it is City staff or YMCA staff to help decide what the bottom line will be on this facility. The Council will be spending a lot of time discussing big questions in the future.

<u>Vote:</u> The two motions <u>carried</u> 3-2 with Mayor Pro Tempore Chang and Council Member Tate voting no.

16. <u>COMMUNITY CONFERENCE ON LEADERSHIP, DEVELOPMENTAL WORKSHOP AND EVENING OF THE ARTS EVENT – TUESDAY, OCTOBER 21, 2003</u>

Recreation and Community Services Manager Spier presented the staff report. She requested that the Council hold Tuesday, October 21, 5-8 p.m. for an Evening of the Arts Event to be held at the Community and Cultural Center.

Mayor Kennedy opened the floor to public comment.

David Reisenauer, President of Morgan Hill Community Foundation Board, thanked the Council for its commitment to the Foundation. He stated that the Board of Directors wants to focus on linking the needs of the community and the resources within the community. He said that an area that the

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Foundation would like to focus on is leadership and the needs of non-profit organizations. As it looks at its grant cycle, the Foundation began to look at how it can better serve the community. The Board felt that it was important to bring the community leaders together in a summit/conference to focus on collective gaps in terms of what the non-profits provide and their needs. He stated that part of the event is bringing the Community Foundation of Silicon Valley and the Arts Council to conduct a grants workshop in the morning and to focus on the mission and the vision of the Morgan Hill Community Foundation. The Foundation will be targetting sessions with non profits in 3 of the 9 major areas. A combined forum will be held, to be facilitated by City Manager Tewes, to talk about the next steps. He understands that Leadership Morgan Hill has a supply of individuals who want to get involved with community non profits. Many non profit organizations have a demand for leaders who are willing to come onto their boards. He requested Council support in terms of providing the venue for free and help with the overall cost of the event with a \$2,500 donation.

Mayor Kennedy stated that the Council has been very frugal on how it provides funds for various organizations. He inquired as to for the basis for the \$2,500 request.

Mr. Reisenauer said that if you look at the budget for the event, it includes costs for the honorariums, the artist, and costs for the luncheon, invitations, and materials to be provided to the attendees. He stated that the Foundation will be applying for a \$5,000 grant from the Arts Council to help offset some of the costs. The Morgan Hill Community Foundation Board has authorized the expenditure of the balance.

No further comments were offered.

Council Member Sellers said that he was excited about the event and that he was pleased to see the recreation division and departments participating. He felt that the in kind services were very easy to support. He said that the City does not have the \$2,500 being requested. He stated that he would like to try and figure out a way to sustain this forum in future years. He requested that the Foundation forgo the cash contribution this year and that it be understood that the City is interested in subsequent years on how it might be able to fund the forum. The Council could creatively think about resources it can bring to the forum

Council Member Tate concurred with the comments expressed by Council Member Sellers.

Mayor Kennedy agreed that this is a worthwhile cause and that he supports it. He stated that he would be willing to provide some sort of City financial assistance and recommended \$1,000 be granted as a sign of good faith. He knows that the Community Foundation, Leadership Morgan Hill and the Arts Council are doing a great job and that the City is growing in the appreciation and involvement of the arts. Although these are very difficult times for the City, he felt that it would be appropriate to provide some show of good faith effort in addition to the in kind support. He recommended that funding come out of the City's reserves.

Mayor Pro Tempore Chang supported Mayor Kennedy's recommendation of \$1,000 in funding.

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Council Member Carr stated that this was a great idea and a wonderful opportunity for the City and the community. He recommended that the Council move forward with the things that Council Member Sellers talked about. The Council could ask that City staff sit down with Mr. Reisenauer and others to talk about the \$2,500. He felt that there were other things that the City could do other than a cash outlay to help the Foundation move forward with the forum or find other ways to cut costs so that the Foundation can redirect dollars into these areas. He said that he had some fund raising opportunities that he would be willing to discuss with Foundation Board members.

Council Member Tate stated that he would be willing to sit down with Foundation members and share some of his ideas.

Council Member Sellers encouraged the Foundation to include the participation of the Morgan Hill Downtown Association as they might be able to provide other opportunities for in kind participation as well where it might be mutually beneficially.

Action: On a motion by Council Member Sellers and seconded by Council Member Tate, the City

Council unanimously (5-0) Approved Co-sponsorship of This Event by Providing In-Kind

and Staff Support.

Action: On a motion by Council Member Sellers and seconded by Council Member Tate, the City

Council unanimously Approved Applying for an Artistic and Program Excellence Grant

Through the Arts Council Silicon Valley.

Redevelopment Agency Action

OTHER BUSINESS:

17. OFF-SITE IMPROVEMENTS FOR DAY WORKER CENTER

Director of Business Assistance and Housing Services Toy indicated that originally, staff was going to recommend that it be directed to prepare the necessary agreements to fund the off site improvements for the day worker center, bringing them back to the Agency for further consideration. However, several issues have arisen with the developer since Friday. While staff is working to resolve these issues and develop solutions, staff is not in a position to make a recommendation to the Agency Board at this time. He indicated that it was originally estimated that day worker off site improvements would cost approximately \$90,000. However, in discussions with public works staff, staff believes that this cost is low by approximately 20% and that it is estimated that the off site improvements would cost approximately \$107,000. It was also determined that the project may require storm drain that would add another \$21,000 to the cost. Staff did not include utility under grounding for this piece of property at a cost of \$47,000. Therefore, this raises the cost for the improvements to \$175,000 instead of \$90,000. If this was the only issue, staff may have recommended a "not to exceed" amount for the project. However, the developer has indicated that he is not willing to fund the water and sewer connections needed for the day worker center. The developer believes that these improvements have limited benefit to the permanent development of the project as it is his belief that he would need to either reinstall or

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resize these improvements at a later date. Therefore, he is not willing to absorb these costs at this time. Staff believes that it would be prudent to sit down and try to work out these issues with the developer and the day worker center. Once these issues are resolved or solutions/recommendations identified, staff would bring this back to the Agency Board for consideration.

Chairman Kennedy inquired what the delay would do to the schedule of getting the day worker facility built.

Mr. Toy indicated that staff invited the developer and representatives from the day worker center to attend the meeting and provide the Agency Board with a schedule. He stated that he informed the developer that staff would be recommending that this item be continued.

Agency Member Sellers felt that it made sense to require some of the improvements before getting the project underway. He noted that the day worker center is a temporary, interim use for the site. He felt that the under grounding should take place when development takes place due to the financial costs involved. He inquired whether the under ground improvements need to triggered at this time as the improvements would need to be torn up with the permanent use.

Mr. Toy responded that there is no provision in the municipal code that allows interim uses not to trigger off site improvements or utility under grounding. In this case, the utility under grounding would be in the form of in lieu fees or the cost for under grounding. He stated that staff is estimating that the costs are about the same. This cost would normally be absorbed by a project putting a use onto a piece of property. At this time, there is no mechanism to provide for other alternatives other than the city funding the improvements itself unless the municipal code is amended.

Executive Director Tewes informed the Agency Board that there was considerable discussion about the same issue for the property located next door. The project proponent initially asked the Agency Board to defer the improvements. Staff pointed out the same issue at the time in that there is a provision in the municipal code for the payment of in lieu fees rather than installing the actual improvements. The existing municipal code does not waive the installation or in lieu fees.

Mr. Toy informed the Agency Board that staff would be returning with an in lieu fee financing program to help finance the fees for this portion of the project.

Agency Member Carr inquired whether there were specific requirements relating to the day worker center as part of the Agency Board's approval of the granary project and the significant investment from the RDA into that project. If so, what were those requirements?

Mr. Toy responded that the requirements were that the interim day worker center would be allowed on the property for at least three years. It was his belief that the day worker center had to be up and operational before fall of 2004.

Agency Member Carr noted that things are moving forward with the granary project. He expressed concern that the Agency Board invested significantly into the granary project because the City would get

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this public benefit project. Now, this public benefit project is being held up by the developer while he is moving forward with his private project. He did not know if there were ways for the City to slow down the granary project until some of the details are worked out. He expressed concern that the City was being taken by promises that may not be fulfilled as part of the City's significant investment on the private project.

Mr. Toy said that when staff sits down with the developer, it will point to the DDA that the City has with the developer and the timeframes for performance. He felt that the developer had certain assumptions in his mind about what was allowable and what was not allowable. He indicated that staff received the estimate of \$90,000 last week from Morgan Hill Engineering. In terms of storm drain, the developer thought that he could have an engineering solution that provides an alternative for the storm drain. It was his belief that the developer was thinking that the project would not have to pay in lieu fees initially. He stated that unless the municipal code is amended, there is no way to defer the improvements. Thus, the reason staff was coming forward with the request for the RDA to fund the improvements. Should the Council decide to amend the municipal code, the City would have to evaluate this in terms of what impacts this would have on other projects.

Executive Director Tewes indicated that when the Agency Board had this conversation with the land owner, the Agency Board directed staff to return with a program to help private parties finance the payment of in lieu fees. This is what staff will return with.

Chairman Kennedy opened the floor to public comment. No comments were offered.

Action: On a motion by Agency Member Sellers and seconded by Agency Member Tate, the Agency Board unanimously (5-0) Continued this item to a future meeting date.

City Council and Redevelopment Agency Action

OTHER BUSINESS:

18. <u>ACTING MAYOR PRO TEMPORE/VICE-CHAIR FOR THE SEPTEMBER 17, 2003</u> CITY COUNCIL/REDEVELOPMENT AGENCY JOINT MEETING

Mayor/Chairman Kennedy indicated that he and Mayor Pro Tempore Chang would be traveling to formalize a Sister City relationship with San Martin di Hidalgo the week of September 14, 2003 and would not be in attendance at the September 17 Council meeting. Therefore, a Council member needs to be appointed as acting Mayor Pro Tempore/Vice-chair. He indicated that both Council Member Sellers and Tate agreed that Council Member Sellers would be the appropriate individual to serve this role. He stated that this would be his recommendation.

Action: On a motion by Mayor Pro Tempore/Vice-Chair Chang and seconded by Council/Agency Member Tate, the Council/Agency Board unanimously (5-0) Ratified the Mayor/Chairman's Appointment of Council/Agency Member Sellers to serve as Acting

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Mayor Pro Tempore/Vice-Chair for the September 17, 2003 Joint City Council and Redevelopment Agency Meeting.

City Manager/Executive Director Tewes indicated that Council Member Sellers would be Acting Mayor Pro Tempore for the entire period of time that Mayor Kennedy and Mayor Pro Tempore Chang were out of the area, especially in the event of a natural disaster.

19. REVIEW CITY COUNCIL AND REDEVELOPMENT AGENCY'S NOVEMBER, DECEMBER, AND JANUARY MEETING SCHEDULE

Council Services and Records Manager presented the staff report. She informed the Council that staff is proposing that non emergency staff members be furloughed from December 26, 2004 through January 2, 2004, reopening City Hall offices on January 5, 2004.

Mayor Kennedy suggested that a special joint meeting be held with all boards and commission prior to a Tuesday Planning Commission meeting.

City Attorney Leichter indicated that training materials are produced by the League of California Cities on general ethics, specifically as they pertain to conflict of interest laws. She indicated that staff would like to present this information to the Council and to the Boards and Commissions as well. She said that the Council could have a more in depth analysis along the lines of the conversation she had with Council Member Tate at a Council goal setting workshop or a separate workshop. She indicated that a general ethics presentation has not been conducted for a while and suggested that a workshop session be held.

Action:

By consensus, the City Council/Agency Board adjusted their November, December and January meeting schedule as follows: Scheduled a special meeting on November 12, 2003, if necessary; Cancelled its November 26, 2003 meeting; Scheduled a December 10, 2003 meeting, if necessary; December 24 a City Holiday; Cancelled the January 7, 2004 meeting; and scheduled a Special January 14, 2004 meeting. All other meeting dates to remain as scheduled.

Action:

By consensus, the City Council/Agency Board, Agreed to set the following workshop dates: 1) scheduled a Joint City Council, Board and Commission ethics/conflict of interest workshop for Tuesday, November 11 at 5:00 p.m.; 2) scheduled a November 12, 6:00 p.m. workshop to discuss the Morgan Hill Plaza Repositioning Strategy; and 3) <u>Deferred</u> scheduling the Annual Goal Setting Session in order to coordinate this session as part of the Council's retreat.

FUTURE COUNCIL-INITIATED AGENDA ITEMS

Council Member Tate requested that the September 2, 2003 Senior Advisory Committee comments on the Indoor Recreation Center be agendized for discussion on how the Council should follow up on the comments.

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Council Member Sellers further recommended that there be discussion about opportunities for interaction with the Senior Advisory Committee as there are significant policy decisions that the Council will be making. He wanted to make sure that the Council includes ways of communicating these to the Senior Advisory Committee.

ADJOURNMENT

There being no further business, Mayor/Chairman Kennedy adjourned the meeting at 9:33 p.m.

MINUTES RECORDED AND PREPARED BY:

IRMA TORREZ, CITY CLERK/AGENCY SECRETARY



CITY COUNCIL STAFF REPORT

MEETING DATE: September 17, 2003

General Plan Amendment Application: GPA 02-08: Monterey - Pinn Bros.

RECOMMENDED ACTION(S):

- 1. Reconvene/close Public Hearing.
- 2A. Table this item, or:
- 2B. Approve mitigated negative declaration
- 3. Motion to adopt resolution denying General Plan Amendment.
- 4. Motion to adopt resolution approving adjustment to boundary between Multi-Family Medium and Commercial General Plan Land Use designations.

EXECUTIVE SUMMARY: The applicant is requesting amendment of the General Plan Land Use designation from Multi-Family Medium to Multi-Family Low on approximately 7.5 acres of a 9.68-acre project site. The applicant is also

requesting that the boundary between the Multi-Family Medium and Commercial General Plan Land Use designations on the project site be shifted approximately 50 feet east of its present location.

Approval of the seven-acre General Plan Amendment would reduce the available inventory of vacant R3 zoned areas to 12 acres. This would violate the City's General Plan Housing Element Action 1b-1 by reducing the available R3 inventory below the required 25-acre minimum. (See attached Exhibit B for project analysis.)

At the June 24th meeting, the Commission recommended denial of the General Plan Amendment request and approval of the eastward shift in the boundary between the Multi-Family Medium and Commercial General Plan Land Use designations.

The project was considered by the Council at its regular meeting of July 16th and continued at the applicant's request to the meeting of August 20th, and subsequently to this meeting.

The applicant's representative and the property owner have expressed interest in attending the Council meeting, but are unable to attend the meeting of September 17th. The applicant has, again, requested that this item not be considered at this meeting. Specifically, the applicant requests that the item be tabled until such time as they are able to attend.

The Planning Commission considered the General Plan Amendment request at its regular meetings of June 10th and June 24th, 2003. Considering the impact that the proposed General Plan Amendment would have on available potential sites for higher density housing, the Planning Commission recommends, on a 5-1 vote, City Council denial of the proposed General Plan Amendment and approval of the 50-foot eastward shift in the boundary between the Multi-Family Medium and Commercial General Plan Land Use designations.

Three resolutions are attached for Council consideration. The first two resolutions, "a" and "b", are for approval and denial of the requested General Plan amendment, respectively. The third resolution would approve the boundary adjustment. Copies of the staff report and minutes from the June 10th and June 24th Planning Commission meeting are attached for the Council's reference.

FISCAL IMPACT: None. Filing fees were paid to the City to cover the cost of processing this application.

Agenda Item # 14

Prepared By:

Contract Planner

Approved By:

Community
Development Director

Submitted By:

City Manager

RESOLUTION NO. (a)

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL DENYING AMENDMENT OF THE GENERAL PLAN DESIGNATION FROM MULTI-FAMILY MEDIUM TO MULTI-FAMILY LOW FOR THE 7.5-ACRE AREA LOCATED ON THE WEST SIDE OF MONTEREY ROAD, NORTH OF WATSONVILLE ROAD AND SOUTH OF WEST EDMUNDSON AVENUE. (APNs 767-23-025, -002)

WHEREAS, such request was considered by the City Council at their regular meeting of September 17, 2003, at which time the City Council denied the requested General Plan Amendment; and

WHEREAS, such request was considered by the City Council at their regular meeting of July 16, 2003, and continued to the August 20th meeting and then to the September 17th meeting; and

WHEREAS, testimony received at a duly-noticed public hearing, along with exhibits and drawings and other materials have been considered in the review process.

NOW, THEREFORE, THE MORGAN HILL CITY COUNCIL DOES RESOLVE AS FOLLOWS:

- **SECTION 1.** The City Council finds that the proposed General Plan Amendment is inconsistent with the provisions of the General Plan as outlined in Section 3 of this Resolution.
- **SECTION 2.** An environmental initial study has been prepared for this application and has been found complete, correct and in substantial compliance with the requirements of California Environmental Quality Act. A Mitigated Negative Declaration will be filed.
- **SECTION 3.** The City Council hereby denies the requested General Plan Amendment based on the following Finding:
 - A. The State Department of Housing and Community Development recognizes the R3 zoning designation as reserved for "affordable housing" and requires the City to maintain an adequate inventory of such lands to meet the requirements of the General Plan Housing Element. Approval of the 7.5-acre General Plan Amendment would reduce the available inventory of vacant R3 zoned areas to 11.9 acres, thus violating Action 1b-1 of the City's General Plan Housing Element by reducing the available Multi-Family Medium inventory below the required 25-acre minimum.

City of Morgan Hill Resolution No. Page - 2 –

SECTION 4. The subject property is ideally situated for future multi-family housing being located in close proximity to schools, parks, shopping areas and public transit.

PASSED AND ADOPTED by the City Council of Morgan Hill at a Regular Meeting held on the 17th Day of September, 2003, by the following vote.

AYES: COUNCIL MEMBERS: NOES: COUNCIL MEMBERS: ABSTAIN: COUNCIL MEMBERS: COUNCIL MEMBERS:

***** CERTIFICATION *****

I, IRMA TORREZ, CITY CLERK OF THE CITY OF MORGAN HILL, CALIFORNIA, do hereby certify that the foregoing is a true and correct copy of Resolution No., adopted by the City Council at a Regular Meeting held on September 17, 2003.

WITNESS MY HAND AND THE SEAL OF THE CITY OF MORGAN HILL.

DATE:	
	IRMA TORREZ, City Clerk

RESOLUTION NO. (b)

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL APPROVING AMENDMENT OF THE GENERAL PLAN DESIGNATION FROM MULTI-FAMILY MEDIUM TO MULTI-FAMILY LOW FOR THE 7.5-ACRE AREA LOCATED ON THE WEST SIDE OF MONTEREY ROAD, NORTH OF WATSONVILLE ROAD AND SOUTH OF WEST EDMUNDSON AVENUE. (APNs 767-23-025, -002)

WHEREAS, such request was considered by the City Council at their regular meeting of September 17, 2003, at which time the City Council approved the requested General Plan Amendment; and

WHEREAS, such request was considered by the City Council at their regular meeting of July 16, 2003, and continued to the August 20th meeting and then to the September 17th meeting; and

WHEREAS, testimony received at a duly-noticed public hearing, along with exhibits and drawings and other materials have been considered in the review process.

NOW, THEREFORE, THE MORGAN HILL CITY COUNCIL DOES RESOLVE AS FOLLOWS:

- **SECTION 1.** The City Council finds that the proposed General Plan Amendment is consistent with the provisions of the General Plan as outlined in Section 3 of this Resolution.
- **SECTION 2.** An environmental initial study has been prepared for this application and has been found complete, correct and in substantial compliance with the requirements of California Environmental Quality Act. A Mitigated Negative Declaration will be filed.
- **SECTION 3.** The City Council hereby approves the requested General Plan Amendment based on the following Finding:
 - A. The Association of Bay Area Governments (ABAG) has established that the City must construct and/or approve a minimum of 683 affordable housing units through 2006 in order to meet its share of the regional affordable housing need. Assuming an average of 15.3 dwellings per acre, approval of the 7.5-acre General Plan Amendment would result in the construction or approval of approximately 803 total affordable housing units by 2006, which sufficiently meets the City's share of the regional affordable housing need.

City of Morgan Hill Resolution No. Page - 2 –

PASSED AND ADOPTED by the City Council of Morgan Hill at a Regular Meeting held on the 17th Day of September, 2003, by the following vote.

AYES: COUNCIL MEMBERS: NOES: COUNCIL MEMBERS: ABSTAIN: COUNCIL MEMBERS: COUNCIL MEMBERS:

***** CERTIFICATION *****

I, IRMA TORREZ, CITY CLERK OF THE CITY OF MORGAN HILL, CALIFORNIA, do hereby certify that the foregoing is a true and correct copy of Resolution No., adopted by the City Council at a Regular Meeting held on September 17, 2003.

WITNESS MY HAND AND THE SEAL OF THE CITY OF MORGAN HILL.

DATE:	
	IRMA TORREZ, City Clerk

RESOLUTION NO.

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL APPROVING A 50-FOOT EASTWARD SHIFT IN THE BOUNDARY BETWEEN THE EXISTING MULTI-FAMILY MEDIUM AND COMMERCIAL GENERAL PLAN DESIGNATIONS FOR THE AREA LOCATED ON THE WEST SIDE OF MONTEREY ROAD, NORTH OF WATSONVILLE ROAD AND SOUTH OF WEST EDMUNDSON AVENUE. (APN 767-23-001)

WHEREAS, such request was considered by the City Council at their regular meeting of September 17, 2003, at which time the Council approved the requested 50-foot eastward shift in the boundary between the existing land use designations of APN 767-23-001; and

WHEREAS, such request was considered by the City Council at their regular meeting of July 16, 2003, and continued to the August 20th meeting and then to the September 17th meeting; and

WHEREAS, testimony received at a duly-noticed public hearing, along with exhibits and drawings and other materials have been considered in the review process.

NOW, THEREFORE, THE MORGAN HILL CITY COUNCIL DOES RESOLVE AS FOLLOWS:

- **SECTION 1.** The City Council finds that the proposed boundary shift is consistent with the provisions of the General Plan.
- **SECTION 2.** An environmental initial study has been prepared for this application and has been found complete, correct and in substantial compliance with the requirements of California Environmental Quality Act. A Mitigated Negative Declaration will be filed.
- **SECTION 3.** The City Council hereby approves the 50-foot eastward shift of the boundary between the existing Multi-Family Medium and Commercial General Plan Land Use designations, as indicated on the attached Exhibit "A", based on the following Finding:
 - A. General Plan Housing Element Action 1b-1 directs the City to "accommodate additional R-3 zoning". Inclusion of the one-acre portion of APN 767-23-001 in the Multi-Family Medium designated area would represent a logical adjustment to the boundary for this purpose.

City Of Morgan Hill Resolution No. Page - 2 –

- B. The eastward shift in the boundary between the two land use designations would create linear consistency in the western boundaries of the commercial portion of this project site and the adjacent parcel to the north, which has a land use designation of Commercial.
- **SECTION 4.** The subject property is ideally situated for future multi-family housing being located in close proximity to schools, parks, shopping areas and public transit.

PASSED AND ADOPTED by the City Council of Morgan Hill at a Regular Meeting held on the 17th Day of September, 2003, by the following vote.

AYES: COUNCIL MEMBERS: NOES: COUNCIL MEMBERS: ABSTAIN: COUNCIL MEMBERS: COUNCIL MEMBERS:

***** CERTIFICATION *****

I, IRMA TORREZ, CITY CLERK OF THE CITY OF MORGAN HILL, CALIFORNIA, do hereby certify that the foregoing is a true and correct copy of Resolution No., adopted by the City Council at a Regular Meeting held on September 17, 2003.

WITNESS MY HAND AND THE SEAL OF THE CITY OF MORGAN HILL.

DATE:	
	IRMA TORREZ, City Clerk



CITY COUNCIL STAFF REPORT

MEETING DATE: September 17, 2003

CONVERSION OF RESIDENTIALS UNITS FOR COMMERCIAL USES IN THE DOWNTOWN AREA

Agenda Item # 15	
Approved By:	
BAHS Director	

City Manager

Submitted By:

RECOMMENDED ACTION(S):

- 1) Open/Close Public Hearing
- 2) Waive the first and second reading of the ordinance
- 3) Introduce ordinances

EXECUTIVE SUMMARY: Over the past several weeks, some property owners have approached staff about the difficulties they face in converting their residential units for commercial uses as well as expanding their existing commercial buildings in the downtown area. Their concerns relate to impact fees, offsite improvements, and fire sprinkler requirements. The current City municipal code requires that when residential units convert to commercial uses or existing commercial uses expand they must pay impact fees based on the proposed use. In addition, the converted units or expansions may be required to install off-site improvements per code. These costs are in addition to any tenant improvements and improvements needed to bring the structure up to building code requirements (e.g., ADA) for commercial uses.

At the August 27, 2003 meeting, the City Council directed staff to amend the City's Municipal Code to encourage the conversion of residential units for commercial uses. Attached for your reference is a copy of the staff report from August 27th. Specifically, the ordinances provide the following:

Amends Chapter 3.56 (Development Impact Fees) to:

- Exempt residential units converting to commercial use in the downtown CCR zone from paying impact fees and
- Exempt commercial additions up to 1,500 sq. ft. in the CCR zone from paying impact fees.

Amends Chapter 12.02 (Street and Sidewalk Development) to:

- Exempt residential units converting to commercial use in the downtown CCR zone from installing any public off-site improvements including payment of in-lieu fees and
- Exempt commercial additions up to 1,500 sq. ft. in the CCR zone from installing any public off-site improvements including in-lieu fees.

These exemptions will expire three years from the effective date of the ordinance. At that time, Council can evaluate the impact of the ordinance on encouraging the conversion of residential units to commercial uses. With regard to the fire sprinkler requirements, staff continues to work with County Fire to develop reasonable alternatives to sprinklers. We anticipate bringing this item to the Council for consideration within the next two weeks.

FISCAL IMPACT: If amended, there would be a "de minimus" impact on impact fees and utility inlieu undergrounding fees.